

# Procuring a Regenerative Economy

The Critical Role of Sourcing in Generating The Future We Want

*A contribution to the Tomorrow's Capitalism Inquiry*

January 2020



# About This White Paper

The purpose of this paper is to challenge Chief Procurement Officers, sourcing professionals and other business leaders who influence buying decisions to shift their approach in service of a more responsible, resilient and – ultimately – regenerative economy. We define a regenerative economy as one in which economic activity works in the service of a just and inclusive society while restoring and protecting ecosystems.

***If readers of this paper come away with just one thing, we hope it is a recognition of the powerful role that purchasing can play as a catalyst for the development of a regenerative economy.***

Volans conducts inquiries into our planet's most wicked problems, and we help businesses drive positive change at unprecedented pace and scale. This paper is a contribution towards the Tomorrow's Capitalism Inquiry,<sup>1</sup> which seeks to identify practical pathways towards a future in which markets incentivise economic, social and environmental regeneration. The Inquiry's first phase - which runs until January 2020 - is focused on the role of corporate leadership, asking: *how can companies actively promote positive system change?*

Procurement has a vital – though often under-valued – role to play. To understand that role better, we conducted a series of interviews and conversations with people across different sectors and parts of the procurement ecosystem. We also reviewed a wide array of existing reports, case studies, guidance documents, tools and resources (see Appendix).

The genesis of this paper was a conversation between Volans and EcoVadis, a leading provider of corporate responsibility ratings, which partners with the procurement teams of 300+ multinational companies to increase the resilience and sustainability of their supply chains. John Elkington, co-founder of Volans, serves on EcoVadis' scientific committee. Both organisations recognise the need for bold ambition and leadership to deliver a step-change in procurement practices. We are grateful to EcoVadis for their support of this track of the **Tomorrow's Capitalism Inquiry**.

The business benefits of integrating sustainability considerations into procurement and supply chain management have been well-documented – and this paper does not seek to rehash a case that has been made elsewhere. Instead, in the spirit of the paradigm shift required to evolve towards a regenerative economy, we offer a bold provocation – as relevant to those who have already taken significant steps to make their supply chains more sustainable, as it is to those just starting out. We aim to clarify what's needed to create real progress and to spotlight ideas that can help us harness the power of purchasing to create the future we want.

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<sup>1</sup>Volans, Tomorrow's Capitalism Inquiry - <https://volans.com/project/tomorrows-capitalism-inquiry/>

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# Foreword – John Elkington, Volans

## Procurement Officers: No Longer Sustainability's Cinderellas

For too long, procurement teams have been the Cinderellas of the sustainable business agenda. CEOs, companies and brands make commitments which capture the limelight. But pity the people who have to endure the stresses, strains and outright cognitive dissonance of putting all of this into practice in the midst of the daily cut and thrust of highly competitive—and increasingly disrupted—markets.

Transforming procurement to become an engine of environmental, social and economic value creation requires a mindset shift, something which can be disconcerting for harried purchasing and supply chain management professionals. But it is worth recalling earlier mindset shifts in business and in the supply chain world. Think of the health, safety and environment agenda; the emergence of the Internet and its impact on the latest round of globalisation; or the Total Quality Management revolution. Each of these turned previous certainties on their head, triggering new types of competitive strategy.

In developing the Tomorrow's Capitalism Inquiry, Volans has concluded that we are seeing a progressive expansion of the business agenda from **responsibility** to **resilience** and **regeneration**. While it is exciting to have influential groupings of CEOs and corporations, like the Business Roundtable in the US, signaling a shift in thinking about the purpose of business beyond shareholder value maximisation, it is clear that corporate top teams still have some way to go in getting to grips with the implications. Most are still focused on responsibility, at a time when resilience and regeneration are becoming increasingly critical.

If business fails to embrace these new challenges, even some of the world's most enthusiastic capitalists are warning that capitalism itself may find itself under existential threat. Transformed supply chains will be at the heart of the coming shift. Yesterday's Cinderellas will increasingly be centre-stage and strategic. This White Paper explores the implications of what is to come for procurement, illustrating how businesses will need to adapt in the decade ahead.

Whether it is disruptive new technologies and business models, new market entrants, the ricochet effects of trade wars or the impact of climate-related breakdowns, the 2020s will challenge us all to our limits—and often beyond. At the same time, however, the opportunities for greater impact will grow exponentially for those who step from the old world into the new in good time and good order.

# Foreword – Sylvain Guyoton, EcoVadis

For many years, those who have been trying to thwart the negative effects of globalisation have alternated between *laissez-faire* and protectionism. Some have promoted erecting border walls as a way to limit social dumping and environmental damages. Others have advocated for granting ever more freedom to international commerce, betting that the profits of increased prosperity would take care of collateral damages.

Yet, both protectionism and ultra-liberalism are blind. One systematically favors a single nation at the risk of promoting companies that offer more expensive or lower quality products, without any guarantee that the companies that benefit will be socially responsible. The other ignores the ravages caused by work conditions that sometimes seem like they're straight out of the middle ages. The 2013 Rana Plaza tragedy, in which 1,100 textile workers perished in a building in Dacca, Bangladesh was a bitter illustration of the perils of relying exclusively on the invisible hand of the market. It's not a lone example.

Between these two models, a third path has emerged whose ambition is to offer consumers optimal merchandise while guaranteeing responsible and sustainable means of production and delivery. However, the road ahead is still long. Every day, we see cases of human rights scandals or environmental pollution that remind us that the journey to transform value chains is challenging.

The EcoVadis 2018 index<sup>2</sup> revealed that 64.4% of the 15,000 suppliers evaluated in 2018 had a score in a medium or high-risk range with regard to social, environmental or ethical issues. Too often companies get stuck in a box-ticking mindset and do not challenge themselves to reinvent their supply chain model or challenge their suppliers to develop more sustainable products or services. Ultimately, **a truly sustainable and impact-free sourcing network can only be implemented by rethinking the overall company business model**, as this paper by Volans demonstrates.

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<sup>2</sup>EcoVadis 2018 Index - <https://www.ecovadis.com/es/library/ecovadis-2018-global-csr-risk-performance-index-uk-country-spotlight-report/>

# Introduction: Procurement's Regeneration

Business is on the receiving end of ever louder calls for urgent, even crisis-level action on issues such as the climate emergency, ecosystem restoration, social inclusion and human rights. Procurement practices have a significant role to play in solving these challenges.

Yet to do so requires a reset in how most purchasing functions operate. The model needs to shift from a linear value chain approach where suppliers are treated as an external cost to be minimised, to one where value creation across biological, social and industrial systems is designed into buying decisions.

There are many reports and case studies that explain the drivers, demonstrate the return on investment (ROI), and provide case studies illustrating sustainable procurement practices. These guide companies to adopt more *responsible* approaches, minimising issues such as human rights abuses and deforestation through data collection and supplier engagement. Some push further to create more *resilient* networks, infrastructure and supplies across sectors by building capacity, redistributing resources or other adaptive approaches.

What remains broadly absent is a coherent view of what it will take to shift towards *regeneration*. Procurement has the potential to support this shift towards exponential net-positive impact.

***Global, regional and local sourcing can provide the needed investments into climate-aligned, ecologically restorative, socially just and inclusive suppliers. Yet today's sustainable procurement largely entails check-lists pushed onto suppliers, often through third parties, and the results can be overridden if short-term financial conditions make it seem preferable to do so. Without a major shift in how procurement is carried out, the sustainable development agenda will not be achieved.***

The opportunities and risks embedded in purchasing decisions demand that serious attention be paid to social and environmental factors. Significant disruption is coming regardless of whether companies embrace regenerative strategies. Planetary boundaries affect supply chains today. Agricultural and forest product availability and pricing are already showing the strain; logistical and operational disruptions are being felt in many regions; and there is growing pressure from activists to respond to the climate emergency.

## Procurement's Awakening

Our conversations with various stakeholders suggested that there is an awakening of sorts taking place, embracing the idea that effective procurement is about much more than driving down costs. As this shift in understanding takes hold and becomes the norm driving innovation, the potential for real and positive change is significant.

Tools already exist to help purchasing teams realise this potential. For example, The Future-Fit Business Benchmark provides a free-to-use progress calculator, which includes a detailed module on procurement.<sup>3</sup> This tool can be used by any company to measure the degree to which its purchasing decisions today support a flourishing society in the future.

Incentives are a key factor in determining how far – and how fast – the shift towards regenerative procurement happens. Currently, most procurement professionals are incentivised to retain a laser-like focus

on squeezing out costs. Until broader goals linked to societal contribution are baked into targets, KPIs and remuneration policies, corporate procurement will remain, for the most part, stuck in an extractive, linear model.

**A word of caution:** using purchasing power to demand change from suppliers is no silver bullet. Unless nested within regenerative business models, attempts to deliver regeneration through procurement will only get us so far. And yet, waiting for business models to change may not be an option. To borrow a phrase from Graham Leicester of the International Futures Forum, “we need to act as both hospice workers for the dying culture, and midwives for the new.”<sup>4</sup>

## Emergent Examples of Regenerative Approaches

To see the evolution of procurement in action, shifting beyond responsibility and resilience to embed the conditions for regeneration into all sourcing efforts, we offer a closer look at two examples in this paper.

### A Global Industrial Leader Makes A Bold Move

In 2011, Novelis, the world’s largest rolled aluminium products manufacturer, announced a goal of increasing the recycled content of its products to 80% by 2020.<sup>5</sup> Nearly a decade on, Novelis has opened the largest aluminium recycling facility in the world, reshaped post-consumer collection of packaging in regions where recycling rates have been notoriously low (such as the US), and substantially reduced their absolute GHG emissions – all while growing sales: a shift they were only able to achieve through collaboration and dialogue with key customers.

Although Novelis has fallen shy of its ambitious target, there are lessons to be learned from the progress made and the challenges faced along the way. A closer look at their story (see page 13) offers insights for others in technical, manufacturing and other heavy industries about the changing dynamic for buyers and sellers as we close the loop on raw materials.

### Valuing Standing Forests Through Local Networks and Global Buyers

*Origens Brasil* is a distributed network of vendors in the heart of the Amazon providing next-level product certification and transparency that has the potential to change the game for those working in – and sourcing from – tropical forests. Suppliers in the *Origens Brasil* network serve large global companies and new, innovative purpose-driven retailers alike.

Tropical forests have been in and out of the news for decades as the pressures of extractive business have threatened (or outright eliminated) people and diverse species within these habitats. The inflammatory

<sup>3</sup> FutureFit Progress Calculator - <https://futurefitbusiness.org/introducing-the-future-fit-progress-calculator/>

<sup>4</sup> Foreword, *Designing Regenerative Cultures*, (Wahl, D.C.)

<sup>5</sup> Novelis Press Release - <http://investors.novelis.com/2015-03-26-novelis-launches-evercycle-certified-high-recycled-content-products>

headlines from the Amazon in 2019 are by no means new, but, combined with rising global concern about the climate crisis, they have created a renewed sense of urgency.

Companies that purchase products from this essential biome need to be active investors in economic activity that keeps biodiverse forests standing. Although the overall trends relating to deforestation are still pointed in the wrong direction, *Origens Brasil* and its corporate and community partners provide an example of the kind of bioregional regeneration that will help tip the scales (see page 16).

## Why Procurement?

Two drivers are coming together to increase focus on the role of procurement in creating a regenerative economy:

- 1. Procurement is a point of high leverage.**
- 2. “Sustainability-as-usual” is not delivering the progress needed to address stakeholders’ concerns.**

As companies set their strategies for positive social and environmental impact, they know their ambitions must reach beyond the boundaries of their organisations. Whether it’s to reduce greenhouse gas emissions in their supply chain to attract climate-aligned investors, or to ensure raw materials are available at a viable cost in the near to medium term, procurement professionals are having to learn to think beyond the old paradigm in which lowering costs was all that mattered.

### Be That Customer

If the customer is always right, and every business is someone’s customer, why not be the customer who demands – and invests in – products and services that deliver on a just, inclusive and restorative society? That is the power of purchasing at its best.

<sup>6</sup> Academy for Sustainable Innovation, Buying the future we want: Catalyzing the use of procurement as a sophisticated tool for advancing sustainability - [https://static1.squarespace.com/static/579fb38437c581e032e4b96a/t/5bb40acea4222fbca83283d/1538525909642/ASI\\_Sustainable+Procurement+Brief+\\_July+15%2C+2018.pdf](https://static1.squarespace.com/static/579fb38437c581e032e4b96a/t/5bb40acea4222fbca83283d/1538525909642/ASI_Sustainable+Procurement+Brief+_July+15%2C+2018.pdf)

<sup>7</sup> General Mills, Regenerative Agriculture - <https://www.generalmills.com/en/Responsibility/Sustainability/Regenerative-agriculture>

<sup>8</sup> Kiss the Ground - <https://kisstheground.com/>



## Mind the Gap

In spite of the recognition of the need to adapt, there is still a significant gap between the conceptual awareness and strategic practice. Even where organisations have clearly stated social and environmental goals, there is often a disconnect between these goals and the way that procurement operates.

For example, in Canada, the Federal Government is one of the largest purchasers of goods and services, spending over CDN\$16 billion annually. And yet, for the most part, there is no procedural mechanism within government procurement practices to align these with the government's own policy objectives regarding carbon emissions and local employment creation.<sup>6</sup> This is by no means an isolated example.

In the private sector, similar disconnects persist. For example, General Mills has set a goal of shifting 1 million acres to regenerative practices by 2030.<sup>7</sup> Yet the company has a highly complex supply chain, purchasing mostly commodity crops, which entails minimal direct contact with producers. GM has to rely on external organisations such as Kiss The Ground,<sup>8</sup> a US-based nonprofit focused on regenerative agriculture, rather than being able to create the change directly through its own business model.

Bridging these gaps is a big part of what needs to change in order to achieve regeneration. To understand the needed shift, in the following section we examine the dynamics at play in the procurement function.

### Relationships Are Everything

The shift to regenerative procurement and business models requires a high degree of trust, creativity and agility, all of which are only possibly through strong relationships in support of a shared vision.

# The Dynamics Shaping Procurement's Regenerative Path

The fundamentals of procurement are evolving fast. Geopolitical turmoil, trade disputes and anticipated tariff increases are prompting companies with affected global suppliers to look for alternative options to overcome the potential cost increases.<sup>9</sup> Meanwhile, new consumer-facing technologies are disrupting established sectors: in the apparel market, for example, the advent of 3D scanning to enable virtual fittings has profound implications for suppliers.<sup>10</sup>

These and many other macro-trends will challenge sourcing teams, requiring agility to be resilient in the face of so much change. And yet, somehow sourcing functions must also adapt towards regenerative practices, and fairly rapidly at that. And they must do so within structures that were designed at a time when our social and ecological needs and limits were simply not taken into consideration.

The recent proclamation from the Business Roundtable, representing nearly 200 large American companies, proposes that companies should deal “fairly and ethically with suppliers [...] dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.”<sup>11</sup>

This sounds well-meaning enough, but it barely hints at the kind of transformative response that current realities demand. The present uncertainty around the future of globalisation and the trajectory of the global economy make profound and rapid change all the harder – as does the fact that most large organisations are locked into multi-year, multi-million-dollar contracts that were likely not conceived with regeneration in mind.

These factors may appear to add up to an insurmountable conundrum. But sticking with the status quo is not an option in the long run. The fact that disruption is about to go off the charts for many supply chains means this is precisely the moment to rethink the fundamentals.

## A Definition of Regenerative Sourcing

To contribute to a regenerative economy, procurement needs to incentivise spending that delivers on three needs:

1. Generates net-zero GHG emissions globally, which will entail net-sequestering in some sectors for decades to come;
2. Restores ecosystems, including net-increasing biodiversity in several key biomes;
3. Provides inclusive, safe and fair livelihoods for all.

<sup>9</sup>Morgan Stanley, 2019 Midyear Global Macro Lookout - <https://www.morganstanley.com/ideas/midyear-2019-global-economic-outlook.html>

<sup>10</sup> Morgan Stanley, 3D Scanning Apparel - <https://www.morganstanley.com/ideas/3d-scanning-apparel.html>

<sup>11</sup> Business Roundtable - <https://opportunity.businessroundtable.org/ourcommitment/>

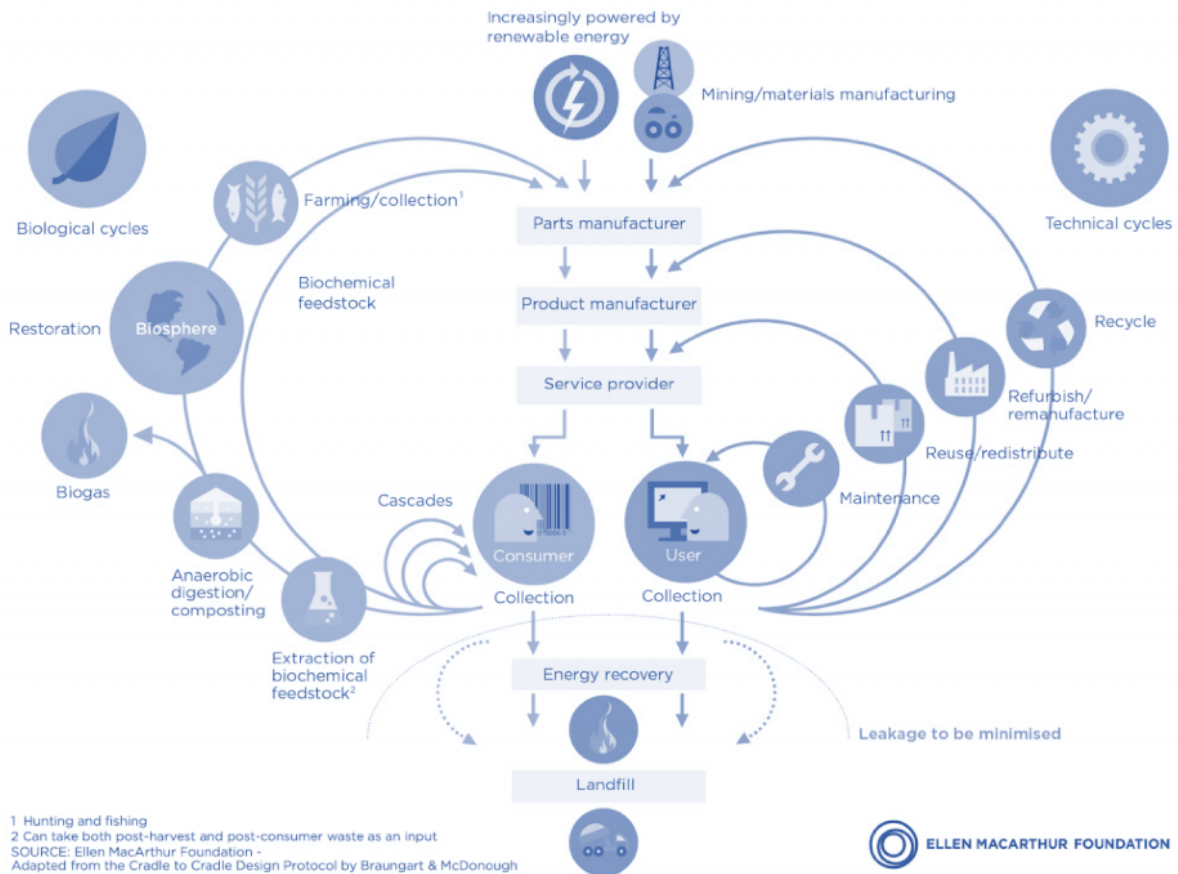
## From Supply Chains to Value Cycles

At its simplest, the “customer-supplier” paradigm is rooted in the incumbent “take-make-waste” model. Increasingly, however, there is a need to shift towards a more circular model of value creation – or, in fact, a more *cyclical* one.<sup>12</sup>

This is about more than material flows. The shift to a more cyclical model of value creation involves a recognition that the purchasing decisions of one organisation are the climate, ecosystem and community impacts of others. While it may seem far-fetched right now, we need to align all of our industrial processes with natural cycles, since it has been our misalignment with them that has butted us up against planetary boundaries. Circular Economy products and policies are starting to move the needle in the right direction. The challenge will be to embrace the idea more holistically and apply it strategically.

With the regenerative economy in our sights, “The Global Supply Chain” seems increasingly like a misnomer. If purchasing decisions don’t improve conditions for living systems all else will ultimately fail.

**CIRCULAR ECONOMY - an industrial system that is restorative by design**



**Figure 1:** The system diagram illustrates the continuous flow of technical and biological materials through the ‘value circle’.

<sup>12</sup> Reporting 3.0, Blueprint 7: Value Cycles - <https://www.r3-0.org/blueprint-7-value-cycle/>

# Case Studies

There are thousands of examples of companies using the power of purchasing to generate positive change the world over. We take a deeper dive into two examples to illustrate several key lessons and to provide practical evidence of the shift from disconnected chains that divest responsibility to integrated cycles that embed resilience and, potentially, regeneration.

Those lessons include:

1. Ambitious goals are essential, but they can and should be subject to change in order to align with a deeper purpose or intention over time rather than staying focused on a number.
2. Regenerative supplier practices must be more than a small fraction of a company's sourced materials; they must be the expected – and incentivised – norm for the entire business.
3. Sourcing must be rooted in an understanding of local needs, not imposed by a distant buyer.

***We hope the following case studies will serve to inspire ideas about what real change can look like on the ground.***

# Case Study: Novelis

*When Novelis announced an ambitious target to close the loop on its raw materials in 2011, it was a call to action for its industrial peers. With operations on four continents, sales of over US\$11 billion, and with a list of customers that includes Coca-Cola, AB InBev, Ford and BMW, the company's successes and lessons learned offer insights for other global players stepping up to change the game.*

## Overview

Why: Close the loop for aluminium products

What: A major global player in a technical industry investing in systems change

Where: US-headquartered with major operations in Europe, Asia and South America

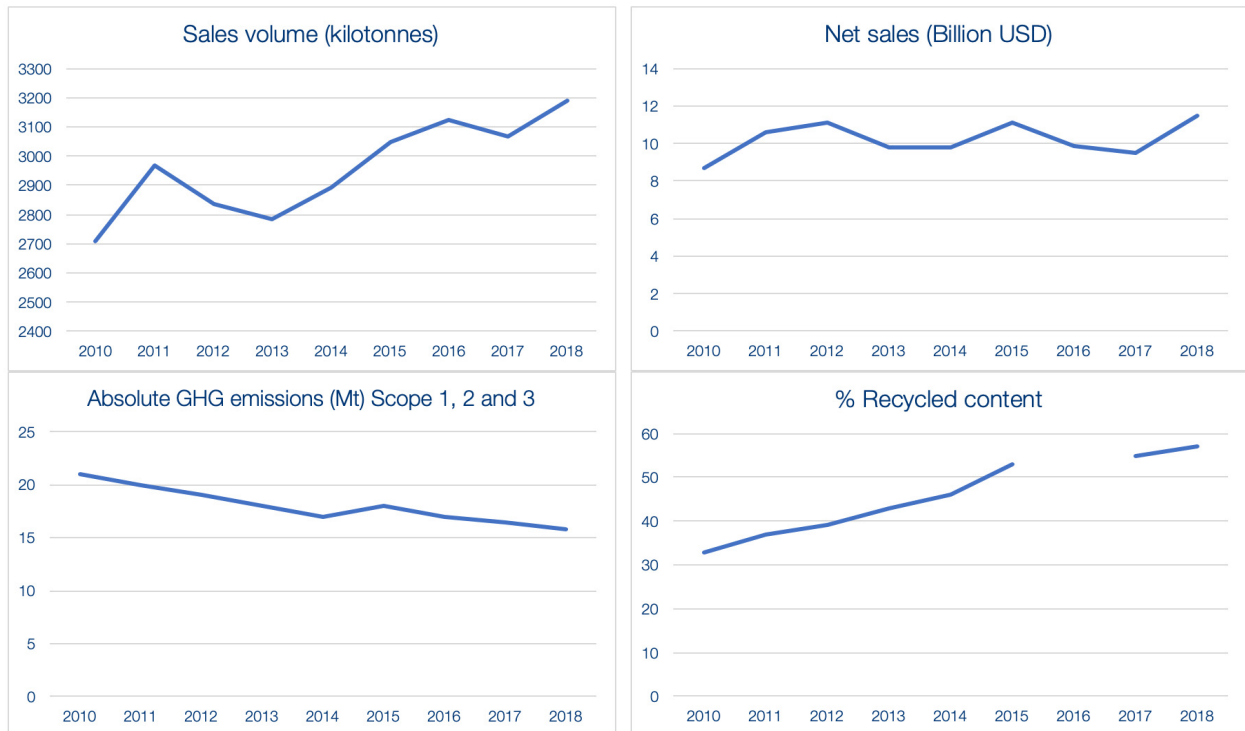
Relevance to regeneration:

- Absolute reductions in GHG emissions, setting the stage for a net-zero future
- Creates conditions to shift away from mining of new materials
- Improves overall post-consumer recycling infrastructure for all materials, reducing pollution and creating positive social impacts
- Continued profitability in spite of major capital investment

In 2011, aluminium producer Novelis set a bold target – to shift production to 80% recycled material by 2020. The company then set out to address the systemic barriers to achieving that target. At the time, recycled content in Novelis' products – rolled aluminium for use in beverage cans, cars and trucks, electronics and other specialty uses – was only 33%.<sup>13</sup>

Given the size of the company and the integration of its products across several complex product value systems, the 80% goal called everything into question, from the sourcing of raw material through product design, manufacturing, quality control, employee training and customer engagement. This was not just a switch in the inputs (from mined bauxite and alumina, to either post-consumer or post-industrial scrap), but a transformation of the infrastructure required to convert it into usable products for their customers. To more than double recycling capacity in under a decade, Novelis needed to build entirely new facilities – which required significant capital expenditures – while keeping the existing business afloat.

<sup>13</sup> All company specific data is sourced from Novelis' annual sustainability reports unless otherwise cited - <https://novelis.com/sustainability/downloads/>



**Figure 2:** Novelis Financial & Environmental Data from 2018 Annual Report. Graphs produced by Volans.

**Despite not being on course to meet the 80% by 2020 goal, the company has delivered real progress, reducing absolute emissions from 21 million Mt CO<sub>2</sub>e in 2009 to 15.8 million Mt CO<sub>2</sub>e in 2018, all while increasing sales volumes and revenues.**

The transformation has not been without its issues though. The technical challenges were daunting, as was the capital outlay. In 2014, Novelis opened the largest recycling centre in the world in Germany with an investment of US\$253 million. To add to the pressure, aluminium prices dropped – due to a surplus of Chinese supply in 2015 – which meant that even as sales volume increased, price per unit decreased.

Fundamentally, the business opportunity for Novelis is about keeping value in the product throughout its life cycles. From an R&D perspective, this begs the question: how to design a product so it's worth more at the end of its life? With beverage cans the infrastructure and life cycle is fairly well understood, and Novelis already recycles more than 7 billion beverage cans per year. But with a product such as the Ford 150 truck for example, it presents a new design challenge, which means active dialogue and engagement with customers (including getting involved in customers' R&D processes) to ensure the increased recycled content continues to deliver quality while undergoing a technical transition.



**Figure 3:** Novelis Closed-Loop Recycling System, Source: Novelis Fact Sheet<sup>14</sup>

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<sup>14</sup> Not just aluminum, Novelis Aluminum - [https://2gjjon1sdeu33dnmvp1qwsdx-wpengine.netdna-ssl.com/wp-content/uploads/2018/09/novelis\\_corporate\\_factsheet.pdf](https://2gjjon1sdeu33dnmvp1qwsdx-wpengine.netdna-ssl.com/wp-content/uploads/2018/09/novelis_corporate_factsheet.pdf)

# Case Study: *Origens Brasil*

***With deforestation in the Amazon back in the news and recognised brands moving to boycott products and raw materials sourced from the region,<sup>15</sup> the need for real, market-led solutions is more critical than ever. Large purchasers and emergent new models both have a role to play. Origens Brasil's locally developed, distributed model has the potential to shift the winds of change in the Amazon in the right direction.***

## Overview

Why: Protection of socio- and bio-diversity

What: Network of community-based producers of forest-based products

Where: Three regions in the Brazilian Amazon, in collaboration with international funding partners and local and global buyers

Relevance to regeneration:

- Standing forests with thriving ecosystems are critical to avoid the worst effects of the climate emergency
- Provides product options for buyers seeking net-positive products
- Incentivises diversified approach to forest-based business

Several global consumer products companies have sourcing programmes that prioritise environmentally and socially responsible sourcing from tropical forests. The Body Shop, for example, was an early pioneer in this space: its Community Trade programme dates back to the 1980s and today represents 18% of the company's total spend on raw materials – providing more than 12,000 economically vulnerable people with access to work.

The UK-headquartered cosmetics company has also committed to ensuring that 100% of its natural ingredients are traceable and sustainably sourced by 2020. Meeting this target is proving challenging, however: as of 2018, The Body Shop was able to trace 94% of natural ingredients to their country of origin (up from 70% in 2017); due to an ongoing update to the definition of 'sustainably sourced' the company uses, it did not report a figure for what percentage of its ingredients were sustainability sourced in 2018, but in 2017, only 10% could be verified as meeting The Body Shop's sustainable sourcing

<sup>15</sup> "Is Brazilian Leather Out of Fashion? H&M Stops Buying Over Amazon Fires" New York Times, Sept 5, 2019 - [https://www.nytimes.com/2019/09/05/world/americas/h-m-leather-brazil-amazon-fires.html?rref=collection%2Ftimestopic%2FBrazil&action=click&contentCollection=world&region=stream&module=stream\\_unit&version=latest&contentPlacement=5&pgtype=collection-](https://www.nytimes.com/2019/09/05/world/americas/h-m-leather-brazil-amazon-fires.html?rref=collection%2Ftimestopic%2FBrazil&action=click&contentCollection=world&region=stream&module=stream_unit&version=latest&contentPlacement=5&pgtype=collection-)



standard. The key barrier to meeting the 2020 goal: “the complexity of our supply chains and the need for our suppliers to develop systems to provide the information we require.”<sup>16</sup>

The Body Shop’s challenge is far from unique. And when this is the state of affairs at a company known for its ethical behaviour and activism on issues of environmental and social responsibility, it says a lot about the scale of the mountain companies still have to climb to get to regenerative sourcing.

What is needed is companies whose business models are designed to source exclusively from suppliers whose purpose is social and environmental value creation. There are emergent examples, as we examine below, but their spending power and reach is still relatively small. Scale will likely come from a mix of bottom-up replication of models that work, and partnerships with global brands that enable committed companies like The Body Shop to transition their own business models.

## Decades Of Rainforest Activism Haven’t Bent The Curve

Let’s back up a step. Forest conservation and human rights certifications – such as the Rainforest Alliance, Fair Trade certification, and the Forest Stewardship Council – have been around for decades. But they have several things holding them back: many of these initiatives are led by well-intentioned stakeholders in the global north rather than local actors; they pre-date the deepest impacts of disaggregated, globalised supply chains; and their governance structures came online before the advent of integrated electronic data platforms. Although they have made significant contributions on which to build, they are simply not able to do enough.

To be sure, halting deforestation and creating value from standing forests within the current economic paradigm is a complex undertaking. The pressures of timber extraction, combined with soy, beef and palm oil production, are formidable. This has only worsened recently as the US-China trade disputes have driven up demand for Brazilian soy<sup>17</sup> and as the Bolsonaro government’s approach to law enforcement in some parts of the Amazon has been lax at best.<sup>18</sup>

***As Justin Adams, Executive Director of the World Economic Forum’s Tropical Forest Alliance, recently noted, “unless solutions work for local people, even leading public-private partnerships – government, corporate, and consumer collaborations to enhance transparent accountability – can fall short.”<sup>19</sup>***

## A Locally-Driven Response To Meet Global Demand

*Origens Brasil* was launched in 2016 with the credo, “to value forests is to value those who live in them.”<sup>20</sup> Its next-generation approach to product certification has been developed in collaboration with partners who have been involved in certification for decades, and is grounded within the communities

<sup>16</sup> The Body Shop Sustainability Report- <https://www.thebodyshop.com/en-gb/about-us/our-commitment/enrich-not-exploit-sustainability-report> <sup>17</sup> Bloomberg - <https://www.bloomberg.com/news/articles/2019-08-16/china-ramps-up-brazil-soy-imports-as-u-s-trade-war-worsens> <sup>18</sup> Revista Mundodrama - <https://mundodrama.net/2019/08/30/presidential-diplomacy-reversed-how-bolsonaros-attack-on-the-environment-is-undermining-brazilian-international-power-by-larissa-basso/>

<sup>19</sup> “Who Can Really Stop The Amazon Fires?” Forbes on-line, viewed August 29, 2019. - <https://www.forbes.com/sites/worldeconomicforum/2019/08/29/amazon-fires-people-focus/#552b5bdf1cd2>

<sup>20</sup> *Origens Brasil* - <http://www.origensbrasil.org.br/>

responsible for production and sale of the harvested products. It is enabled by a mix of technology and distributed governance across multiple partners.

*Origens Brasil* manages an integrated dashboard of data about products, producers and regions. Whereas many other certification schemes focus on certifying producers and companies, the *Origens Brasil* public dashboard uses QR-coded product-level data to show multiple levels of buyer, distributor and seller data, as well as social and environmental impacts.

## Certification Creates Efficiencies For Global Firms

The advantage of certification, versus direct company-to-supplier relationships, is that large companies can rely on the certification of multiple, widely distributed producers in remote areas, making it a transparent and cost-saving approach to sustainable procurement. It's for this reason that large companies are bought in. For instance, one of Brazil's largest grocery retailers, Pão da Açúcar, and a major Brazilian commercial baker, Wickbold, are sourcing products with the *Origens Brasil* logo.

Beyond Brazil, global consumer products companies and their suppliers are also turning to this network to secure special ingredients. For example:

- Lush Cosmetics, a privately held UK-based firm, is also a buyer of *Origens Brasil* products. The *Origens Brasil* dashboard provides details of the annual impacts of Lush's purchases, such as number of communities involved, percentage of product purchased by the buyer, and more – far beyond what most company reports display.<sup>21</sup>
- Swiss flavour and fragrance company Firmenich is also sourcing from the network. While Firmenich's own reporting only shows aggregated life cycle data,<sup>22</sup> the *Origens Brasil* dashboard makes visible the impacts tied to a specific ingredient.

## When Regenerative Suppliers Meet Regenerative Buyers

These large company purchases through *Origens Brasil* are steps in the right direction. However, the ingredients sourced in this way only represent a small fraction of the total procurement spend of companies like Pão da Açúcar or Firmenich today.

***For the game-changing move, we need the buyers themselves to have a business model that incentivizes them exclusively to purchase products that fulfil the kinds of community and biodiversity needs that a certification like *Origens Brasil* delivers.***

Enter Instituto Feira Livre (the “Open Market Institute”), a new grocery retailer and café, located in São Paulo's Centro neighborhood. “Feira”, as it is known by regulars, sells low-cost organic food grown by smallholder farmers, cooperative growers, and other small-scale producers near – or even within – the city.<sup>23</sup>

<sup>21</sup> *Origens Brasil* and Lush - <http://www.origensbrasil.org.br/empresa?nome=lush>

<sup>22</sup> Firmenich - [https://www.firmenich.com/en\\_INT/sustainability/the-firmenich-ingredients-index.html](https://www.firmenich.com/en_INT/sustainability/the-firmenich-ingredients-index.html)

<sup>23</sup> Instituto Feira Livre (which can be translated as “The Open Market Institute”); the company also offers a socially-oriented fair pricing model where the consumer sees the price paid directly to the producer – which is set by the producer – and they have the option to add 35% to cover the business' expenses. Certain consumers, for example those on social assistance, are exempt from the additional cost - <https://www.instagram.com/institutofeiralivre/>

Many of the packaged goods on offer are sourced from vendors who support communities and biodiversity, including those with the Origens Brasil certification.

***Feira and its like – four other similar businesses have opened in São Paulo alone since 2015<sup>24</sup> – are radically more transparent than most of their business peers (large or small), displaying monthly data at the point of sale, as well as on social media.<sup>25</sup>***

The purpose of this worker-owned, non-profit association (a legal structure in Brazil similar to a co-operative) is: to *establish fair relations with all the stakeholders in the value chain, connecting those who produce with those who consume*. This ownership structure means that profits are returned to the business to improve the customer experience or expand product lines. And their purpose means they exist to source from producers like those within the *Origens Brasil* network.<sup>26</sup>

## The Beginning Of An Exponential Shift?

At first glance, *Feira*'s numbers seem insignificant. Having opened their doors in 2017, after six months in business they grossed a little less than US\$30k in the month of April 2018, barely a rounding error for the Pão da Acucar supermarket around the corner. A year later, monthly revenues had more than doubled to US\$67k, putting them on track to turn over just under US\$1million in 2019, their second full year in business: still relatively small, but growing.

More important than the size of this one shop are two notable features. First, it is part of a growing trend: *Feira* was modeled after (and received collaborative apprenticeship from) *Instituto Chão*, (the “Ground Institute”) located in the trendy São Paulo neighbourhood of Vila Madalena. Launched in 2015, *Chão* saw similarly modest numbers in the early days and has steadily continued to grow: in April 2016, after a year in business, its monthly take was a meager US\$83k; by April 2019 this was up to over US\$200k.

The second feature of note about *Feira* is that 100% of the profits that flow through the business are invested in beneficial production models, employee wages, or the shop's premises. This makes *Feira* an early example of a fully regenerative business model.

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<sup>24</sup> The other four are Instituto Chão (<https://www.instagram.com/institutochao/>), Instituto Baru (<https://www.instagram.com/institutobaru/>), Quitandoca (<https://www.instagram.com/quitandocaa/>) and Armazem do Campo (<https://www.instagram.com/armazemdocampo.ma/>) – the latter having multiple locations throughout Brazil.

<sup>25</sup> Instituto Feira Livre's July 2019 report - <https://www.instagram.com/p/B1NDHcznrcT/>

<sup>26</sup> The Others include: Rede Ecovida (<http://ecovida.org.br/>) which is a decentralized network of family or cooperative growers seeking organic certification; the network approach helps to overcome the cost barriers of certification for small producers; Instituto Origin, Onveg, a sustainable food transparency network which includes the Onveg certification (<https://www.institutoorigem.com.br/>)

# How To Get There From Here

Transitioning from an economic model based on unsustainable consumption to one that is regenerative by design is a major challenge for today's business leaders. Yet, there are also major opportunities – primarily in terms of risk reduction and market development – for those able to design regeneration into their approach to procurement.

The following recommendations are based on stakeholder input during the research for this paper. They are intended as a starting point for procurement teams. More detailed resources can be found in the Appendix.

1. **In-source the responsibility to regenerate.** The age of out-sourcing and allowing negative impacts to be considered externalities is over. Investing in suppliers includes the responsibility to ensure the relationship is contributing to a future we want. This requires a shift in mindset to one that takes a holistic and integrated view with an intention to have a net-positive impact.
2. **Integrate strategic objectives into sourcing.** Ensure those responsible for procurement objectives work in tandem with those responsible for ecological and community impacts for the whole business. Strategic, holistic integration is critical to embed responsibility, create greater resilience, and set the course towards regeneration.
3. **Think cycles and webs, not chains.** The existing supply chain mentality suggests we're all just links in a chain, passing things along, yet the way nature and physics function is cyclical. When businesses integrate this, including for sourcing products and services, then the relationships, contracts and incentives are more likely to be aligned with what is needed.
4. **Shift incentives and culture.** To shift from a linear "cost reduction" mentality to a cyclical "value creation" mindset requires overcoming decades of learned behaviour for procurement teams. This will only happen if those professionals responsible for day-to-day decision-making are incentivised to prioritise social and environmental outcomes – alongside financial goals – and rewarded for doing so.
5. **Give the business model a reality check.** Procurement is an essential element of any organisation's existence – not an afterthought or an extension. Sourcing should support and enhance the way an organisation creates value for its stakeholders. If the current business model is not designed to encourage this then, in tandem with implementing the best possible practices within the current model, it may be time to revisit the model itself.

There is great power in sourcing as we transition to a regenerative economy. Let's be those customers.

# Appendix

The following is a list and brief description of resources that can inform action towards more sustainable procurement:

| Title   | Organisation   | Highlights/Overview   | Region                        | Link  |
|---|--|---|-------------------------------|---|
| Future-Fit Progress Calculator BE04 Procurement   | Future-Fit Foundation                                | Opensource, free Maps to Future-Fit Business Benchmark  | Global                        | <a href="https://futurefitbusiness.org/introducing-the-future-fit-progress-calculator/">https://futurefitbusiness.org/introducing-the-future-fit-progress-calculator/</a>                 |
| R3.0 procurement blueprint  | R3.0   | Redefines the linear notion of a Value Chain to a more holistic notion of a Value Cycle that operates in alignment with thermodynamic laws and the cyclical, regenerative aspects of natural, social, and economic systems. | Global                        | <a href="https://www.r3-0.org/blueprint-7-value-cycle/">https://www.r3-0.org/blueprint-7-value-cycle/</a>   |
| Buying the future we want: Catalyzing the use of procurement as a sophisticated tool for advancing sustainability | Academy for Sustainable Innovation (ASI)             | Overview of procurement spend Opportunity for impact Government, Business Perspective Case studies  | Canada                        | <a href="https://static1.squarespace.com/">https://static1.squarespace.com/</a>   |
| Making the Case for Investment in Your Company's Sustainable Purchasing Program                                   | Sustainable Purchasing Leadership Council            | 8-point business case with data, examples Cross sectoral input and examples Links to maturity model, supplier workshop toolkit  | Global (North American focus) | <a href="https://www.sustainablepurchasing.org/making-the-case/">https://www.sustainablepurchasing.org/making-the-case/</a>   |
| The Embedding Framework   | The Embedding Project                                | Framework and resources to integrate sustainability   | Global                        | <a href="https://www.embeddingproject.org/resources/an-introduction-to-the-embedding-framework">https://www.embeddingproject.org/resources/an-introduction-to-the-embedding-framework</a> |
| Produce, Conserve, Include Pitchbook  | Environmental Defense Fund, Tropical Forest Alliance | Case studies, context and contact information for producers of sustainable soy, cacao, beef, native trees and seeds, and more Robust Financial, land-use and impact data  | Brazil                        | <a href="http://business.edf.org/files/2019/05/PCI-PitchBook-final-online.pdf">http://business.edf.org/files/2019/05/PCI-PitchBook-final-online.pdf</a>                                   |
| Sustainable Procurement Toolkit   | Sustainability Advantage                             | Free, open-source tool designed to help procurement professionals to add relevant, sustainability criteria into traditional procurement decision-making processes.  | Global                        | <a href="https://sustainabilityadvantage.com/businesscases/sustainable-procurement/">https://sustainabilityadvantage.com/businesscases/sustainable-procurement/</a>                       |

# Acknowledgements

The following people offered their time in interviews, conversations and/or correspondence providing critical context, insight and ideas. We thank them sincerely for their time and perspective. Any errors are our own.

Justin Adams (World Economic Forum's Tropical Forest Alliance)

Bill Baue (R3.0)

Jyoti Banerjee (Fronesis, formerly International Integrated Reporting Council)

Emma Fuller (Granular)

Sylvain Guyoton, David McClintock, Nicole Sherwin, Yann Gloux (EcoVadis)

Geoff Kendall, Alicia Ayers (Future-Fit Foundation)

Nick Keppel-Palmer and Mandar Jayawant (Good Growth Company)

Fabricio Muriana (Instituto Feira Livre)

Juliana Lopes (Pulsar, Formerly CDP/Latin America)

Debbie Reed (Ecosystem Services Marketplace Consortium)

Jessica Sanderson (Novelis)

Antony Upward (Strongly Sustainable Business Model Innovation)

Bob Willard (Sustainability Author)

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