

GEMI Case Study

Supply Chain Sustainability

Harmonization Solutions



These case studies examine why and how companies are using certain supply chain sustainability harmonization solutions to impact business decision-making.

Many companies are seeking ways to better understand the sustainability performance of companies within their supply chains while responding to similar requests from their own customers. While the objectives of such efforts are often similar, the format and content vary. Several industry groups and 3rd party platform providers have developed Supply Chain Sustainability (SCS) solutions that streamline the process for gathering SCS data and provide a common framework for assessing the sustainability performance of suppliers. Through case studies, GEMI seeks to highlight examples of how companies are utilizing some of these supply chain sustainability harmonization solutions (i.e., supplier assessments and surveys) to impact business decision-making, and the extent to which these solutions have reduced fatigue related to data collection and reporting for both buyers and suppliers.

SOLUTION: Electronic Industry Citizenship Coalition (EICC)

BUYER: Ford Motor Company

SUPPLIER: Molex

SCS SOLUTION BACKGROUND

The Electronic Industry Citizenship Coalition (EICC) is a nonprofit coalition of more than 110 member companies representing all tiers of the electronics industry's global supply chain. EICC members commit and are held accountable to a common Code of Conduct and utilize a range of training and assessment tools to support continuous improvement in the environmental, labor, and ethical conditions of their supply chains. The tenets of the Code of Conduct are translated into a set of auditable and actionable criteria that are enforced through the Validated Assessment Process (VAP). The VAP is conducted by third-party auditors specifically trained in the VAP standards. New suppliers can complete the Self-Assessment Questionnaire (SAQ), which is a simplified methodology that helps them prepare for the VAP, and indicate their readiness to meet buyer standards. Audit and SAQ results are stored in the EICC-ON platform, where suppliers have the option to share data with all their buyers that are EICC members.

The EICC Code of Conduct is the guiding set of standards for the organization, revised and approved by the member companies in the Coalition every three years after extensive consultations with members and stakeholders to ensure its relevance to current international norms and issues in global supply chains. Since members agree to the same performance standards, the results of a single Validated Audit can be shared among all members that use the same supplier. This mutual recognition of a single audit's results reduces the amount of resources spent auditing a common supplier and creates opportunities for expanded auditing within their supply chains. Additionally, the common system of expectations by members creates industry-level pressure on suppliers to improve labor conditions and environmental performance.

BUYER PERSPECTIVE

Ford has been auditing their supply base with a Ford-specific audit since 2003, conducting nearly 100 new audits per year. In 2015, Ford was auditing a supplier in China and became aware that the facility was planning for an EICC audit the following week. An increasing number of auto companies are working in the electronics space and Ford learned that 15%-20% of EICC members are Ford suppliers. Expanding the scale of their supply chain program compelled Ford to join EICC as a step toward managing their supply base in a more holistic manner. Mary Wroten, Global Purchasing Supply Chain Sustainability at Ford shared that shortly after joining EICC Ford "requested an audit from a supplier and within an hour the audit report was in their inbox."

Prior to utilizing the EICC-ON platform, Ford conducted annual audits of select suppliers within their supply chain, but it was a fairly stagnant audit. The EICC audit changes approximately every 3 years in conjunction with their code of conduct updates and includes new supply chain concerns such as ethical recruiting or human trafficking. In addition, the EICC VAP includes more detailed worker interviews and has uncovered issues that were not previously identified. Audit findings are broken into priority, major or minor categories which help suppliers to close out priority issues as soon as possible. Ford completes the EICC corporate and facility SAQ annually so they understand what they are asking of their suppliers since they have gone through the process themselves. Wroten noted, "Ford is working toward a sustainable supply base, as opposed to the traditional policing model." Ford completed its first round of EICC's audits last year, and believes they uncovered items they likely would have missed in the past resulting in ongoing dialog with suppliers to remediate issues they found.

The Supply Chain Sustainability group within the Global Purchasing department at Ford has direct access to buyers and includes leads in all regions, human rights experts, environmental experts and sustainability experts. Buyers can view the sustainability performance of a supplier with the click of a button. While the main purpose of the EICC SAQ is to prepare a supplier for the VAP, Ford also extracts audit data from the EICC-ON platform and includes it in a supplier scorecard. This will allow Ford to compare scores within a commodity family and incorporate the data into Ford's internal purchasing scorecard. This information is also utilized during business unit reviews when Ford buyers and senior executives meet with their counterparts at top suppliers. In addition to the EICC tools, Ford utilizes an in-house supply chain sustainability tool, CDP, and the iPoint Conflict Minerals Compliance & Reporting solution. Ford is also a member of DRIVE Sustainability, facilitated by CSR of Europe, which is a broad industry approach for integrating sustainability into the procurement process.

SUPPLIER PERSPECTIVE

Molex supplies connectors and interconnect components to Ford. Molex's supply chain is dynamic and the simple design of the EICC-ON platform allows them to quickly and easily update information and share it with customers. They no longer need to spend time working with individual customer audit response forms or providing multiple progress updates. Instead, the EICC-ON platform ensures that all customers have access to audit information in real-time which frees up resources to focus on higher-value activities. Further, EICC member companies are discouraged from conducting separate audits when an EICC audit report is available which helps reduce audit fatigue.

Molex receives requests from other solution providers that collect survey responses and review supporting documents, but they believe that this style of desktop audit provides a limited view of the risks and opportunities with a supply chain partner. Jennifer Kelly, Global EH&S Audit Manager at Molex shared, "The EICC process centers on an onsite audit to verify that policies and procedures are effectively implemented and incorporates anonymous worker feedback in order to fully evaluate facility performance. This helps to identify actionable improvements which reduce real, instead of perceived, risks." Also, EICC offers additional learning and development tools that help educate suppliers and make it easier for sites to develop corrective actions which drive improvements within their facilities. The EICC Code of Conduct and audit protocol are regularly reviewed and updated which allows for the solution to incorporate emerging risks and adapt to real market situations.

EICC tools incorporate scoring elements in the risk assessments and audit reports. The audit score is determined by deducting points from a "perfect" score based on the number and severity of findings. While some customers incorporate audit performance into their supplier scorecards, the approach is not consistent and there is limited transparency into the decision-making process. Molex is interested to know how audit results impact their customers' business decisions regarding the selection or deselection of supply chain partners. While the EICC-ON platform facilitates sharing of information it does not replace this direct communication with customers regarding their goals and priorities for sustainability improvements.

*Note that EICC is rebranding itself as the Responsible Business Alliance (RBA) in mid-October 2017.