



# Liz's Newsletter

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HAPPY EARTH DAY!

With the 41<sup>st</sup> Earth Day fast approaching, we at Liz Muller & Partners have been contemplating how best to do our part to lessen our impact on the environment and *really walk the green talk*.

We all know we should act on a personal level — change light bulbs, re-use shopping bags, take green ways to work— but in the face of large-scale issues such as climate change and population growth, can our individual actions really make a difference?

The simple answer to a rather complex question is, yes, they can. The authors of two recent analyses of energy use through supply chains have concluded that consumers are big players in resource consumption and that simple behavior modifications could prove instrumental in achieving broader positive change.

The USDA's "[Energy Use in the U.S. Food Supply](#)" found that our kitchens command twice as much energy as the farms that grew the food. They suggest the following simple energy saving measures:

- Getting a small, energy-efficient refrigerator and donating extra refrigerators.
- Shopping at local farmers markets.
- Choosing whole foods over processed foods.
- Eating less animal products and more grain- and vegetable-based proteins.
- Drinking tap water instead of processed beverages.

Levi's "[A Product Lifecycle Approach to Sustainability](#)" found a similar picture with 58 percent of the climate change impact of a pair of 501<sup>®</sup> jeans coming from laundering in the home. Each of us can reduce the energy and water impacts of our clothes by washing less often, using cold water and line drying. We can reduce the climate change impacts of our jeans by 32 percent if we wash them once every two weeks instead of every week, and by 48 percent by if we wash them once a month.

Please join our team in taking small steps to walk the green talk. After all, we are all on the same journey towards a more sustainable future— one step at a time.

## Cotton and Sustainable Water Use

We recently participated in the "Roundtable on Cotton and Sustainable Water Use," which was presented by the [Center for Responsible Business](#) at the UC Berkeley Haas School of Business and co-sponsored by Gap Inc. Liz gave two presentations: "[Water Economics in the Cotton Supply Chain](#)" and "[Governance in the Cotton Supply Chain](#)."

The roundtable brought together water experts and stakeholders throughout the cotton supply chain to discuss sustainable water use in the production of this natural fiber. Participants covered topics such as world water scarcity, cotton's water footprint (and how it is measured), water conservation opportunities throughout the supply chain, and the need for collaborative efforts to address both water use and governance of water resources over two days of presentations and discussions. Though the focus was on cotton and water, the impacts of water scarcity and increasing demand for this limited resource were also discussed in the context of other industries and society at large.

Water scarcity is a real and growing issue. Approximately 70 percent of all available fresh water is currently used in agriculture — to grow food, fuel and fiber. In many regions this water comes from aquifers that are being drained faster than they can be replenished. With the population soon to reach seven billion, and estimated to reach nine billion by 2045, demand for water and agriculture products will continue to increase.

This decreasing supply and increasing demand problem is compounded by climate change. Climate change is already impacting water supplies — from shrinking ice sheets and retreating glaciers to increasing drought and flooding events — and therefore impacting agriculture. For companies that rely on cotton and other agricultural products, water scarcity and climate change will create significant business risk.

We predict that water — especially in developing countries where most supply chains operate — will gain more attention from businesses than other environmental or social issues. Water is essential to a functioning supply chain and its availability is likely to become scarce or prone to interruptions in the very near future. In light of this, we feel investors and insurers will demand that businesses understand and address water-related risks. This is evident by the recent expansion of the [Carbon Disclosure Project](#), a leader in climate risk disclosure, to include water in its program.

We recommend that all businesses begin to understand their water footprint and water-related risks of operations and products.

To learn more about water and climate-related risks in the cotton apparel industry please read our report "[Building Resiliency to Climate Change Impacts on the Cotton Apparel Supply Chain](#)." Please contact us to learn more about water-related impacts and risks in this and other industries, including biofuels.

## Harmonization of Ecolabel Standards

While ecolabels and certifications can help consumers select imported products that are ecologically friendly and therefore healthier for them, better for the earth, or otherwise beneficial to farmers and supply chain actors, many people who work with sustainable products would like to curtail the proliferation of and, if possible, create harmonization among the estimated 300+ ecolabels that exist worldwide.

This sentiment is expressed in "[The ISEAL 100 Survey - A Survey of Thought Leader Views on Sustainability Standards 2010](#)," recently published by ISEAL Alliance, the global association that develops guidance and helps strengthen social and environmental standards. The ISEAL 100 survey effort set out to ask thought leaders across the spectrum of business (80 percent of respondents), government and civil society (together making 20 percent) about their views on certification.

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# Traceability in the Supply Chain

Liz Muller & Partners is one of three teams that conduct traceability audits of metal processors and their suppliers to assist the Electronics Industry Citizenship Coalition (EICC) in banning conflict minerals, which are currently defined as minerals originating from the Democratic Republic of the Congo (DRC), from its supply chain. These audits align with U.S. Securities and Exchange Commission (SEC) regulations that require any SEC-reporting company using cassiterite, columbite-tantalite, gold, wolframite or their derivatives in their products to disclose any of these minerals that originate from the DRC.

Our experience teaches us that while the idea of achieving transparency and traceability throughout commodity supply chains sounds like a reasonable goal, the reality of doing so can be extremely challenging.

In competitive commodity markets supply chain actors highly guard certain types of information. For example, a company will not want their competitors to know the names of their suppliers or their current inventories. We have found that some suppliers protect information so tightly that even their employees don't have access to it. Yet end buyers and non-governmental organizations that push for transparency don't always recognize the legitimacy of the need to protect such information. In addition, key documents, such as certificates of origin, are still not routinely transferred from supplier to buyer. This lack of documentation can further obscure the source of a supply.

Even with the best data and data tracking system, the extreme complexity of commodity supply chains makes tracing a material a monumental challenge. In commodity supply chains raw material is mixed during processing at multiple stages within a vast network of various actors to exchange nondescript products. To trace something out of a supply chain, you must track all of the material used by a processor back through the multiple actors and processes to its origin. At times this effort requires additional audits of their suppliers. This then introduces a new set of suppliers, significantly increasing the number of transactions and supply chain actors that must be audited.

We believe that efforts to trace undesired material through the supply chain can help improve conditions at the origin of the supply chain and lead to other efficiencies within the supply chain. However, setting up a system to trace a commodity to the origin in which suppliers report all required information to confirm its origin will take time. The industry must be more engaged in establishing the standards of transparency and the programs to drive traceability in these complex chains where proprietary information protection is vital.

## Harmonization of Ecolabel Standards

We are encouraged by some positive conclusions from the ISEAL survey: social and environmental standards are becoming a widely used tool to implement corporate social and environmental responsibility, operational improvements stem from the shared language, and agreed processes are driven by a standard. Unfortunately, the survey results also indicate that standards are not adopted by all leading companies, and that standards should strive to build a coherent landscape by minimizing overlap and confusion over claims. In other words, harmonization among standards is needed.

Is the glass half full or half empty? Perhaps both. Certification standards play an important role in the sustainability arena. They have helped raise awareness among consumers and have benefitted the environment, farmers and others. Nonetheless, these standards cannot continue to proliferate, or to be cumbersome, costly and complex if efforts toward standardization are going to have the impact we all desire.

We must create efficiencies, leverage resources, and design systems that can be integrated into existing supply chains and sourcing processes to succeed. Harmonization between existing standards is challenging for many reasons, from the sheer number of stakeholders involved to the lack of general support for a mega-standard. We see that an opportunity to look across various standards and certification schemes exists – a different type of harmonization, if you would.

Each effort to promote sustainable agriculture and ecosystem preservation is complex and resource intensive, leaving little opportunity to share best practices and coordinate efforts and resources across initiatives or programs. We believe that taking a systems approach within a region would yield significant benefits. Our experience has shown that when we explore at the intersection of initiatives we find fertile ground for new ways to accelerate regional change. When similarities in initiative processes (e.g., utilization of resources, financing mechanisms, and monitoring and evaluation approaches) are examined and understood it is easier to optimize and to combine influences and resources, and limit duplication and inefficiencies. It would also be helpful to identify and evaluate strengths, weaknesses opportunities, and threats both within and across the various efforts as well as alignments, synergies, and complementary elements along with gaps, inefficiencies, and competing aspects.

This type of evaluation would allow one initiative to learn from another's innovations. Liz Muller & Partners' aim is to inspire action geared toward helping all actors in a particular district move in a unified fashion and create sustainable industries within an increasingly sustainable agricultural region.

*"We do not inherit the earth from our ancestors, we borrow it from our children."*

Native American Proverb

Look for us at.....

- [Ceres Conference](#)  
Oakland, CA • May 11-12th
- [World Cocoa Foundation Partnership Meeting](#)  
San Francisco, CA • May 18 - 19th