

Traceability in Global Supply Chains

Food & Agriculture

Wednesday 9 July 2014 at 10 am EDT



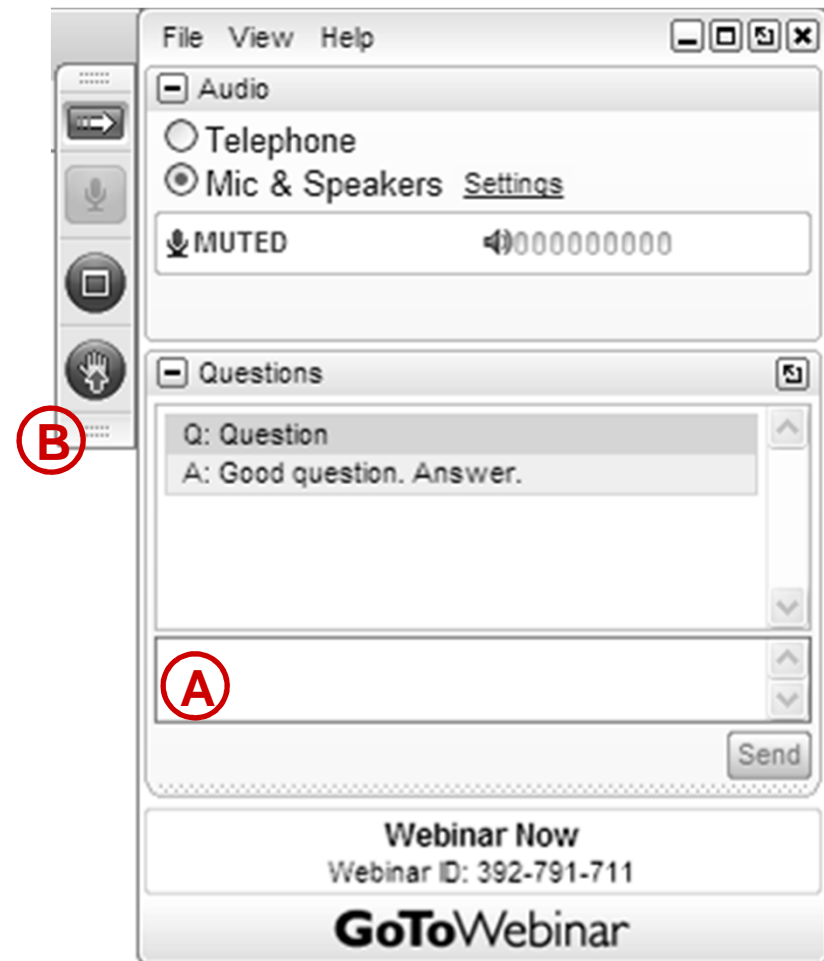
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Questions

Technical Difficulties: If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

Q&A: We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

Example: Question for John Doe: What is Human Trafficking?



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Agenda



Welcome and Introduction

Anita Househam, Issue Manager, Supply Chain Sustainability, UN Global Compact



A Guide to Traceability – A Practical Approach to Advance Sustainability in Global Supply Chains

Tara Norton, Director, Advisory Services (EMEA), BSR

Member of UNGC Advisory Group on Supply Chain Sustainability – Traceability Task Force



Bonsucro: Leading Traceability in the Sugarcane Sector

Rafael Seixas, Policy & Research Analyst, Bonsucro



MSC: Chain of Custody Standards

Chelsea Reinhardt, Senior Supply Chain Manager, Marine Stewardship Council (MSC)



Accelerating TCCC's Sustainable Ag Program

Denise Knight, Global Director of Sustainable Agriculture, The Coca-Cola Company (TCCC)

Q & A: Remaining Time



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The Business of a Better World

Supply Chain Traceability

Objectives of today's session

- Learn what traceability is and how it can be a useful tool for companies and their sustainability objectives
- Understand the different traceability models and their pros and cons
- Consider the Seven Steps that you can take to practically implement traceability
- Deep dive into three commodities

DEFINITION: Traceability for sustainability

The ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labor (including health and safety), the environment and anti-corruption.

A GUIDE TO TRACEABILITY

A Practical Approach to Advance Sustainability in Global Supply Chains



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Brief History of Traceability

1930s	European countries wanted to prove the origin of high-quality food such as French champagne
1990s -	Food safety related issues and various food scandals in the agribusiness sector, such as mad cow disease or the Asian bird influenza, have highlighted the importance of traceability
2005	European Commission implemented several directives and regulations on food safety
Today	<p>Consumers, NGOs, governments, suppliers and buyers increasingly demanding more information about origin of products</p> <p>Increased demand for organic, fair trade and environmentally friendly products and materials</p>

Traceability Today

- Today, traceability is an increasingly useful tool for companies to advance sustainability and prove claims and attributes of sustainable products
- Some companies have instituted their own traceability programmes and schemes for certain business-critical commodities
- Companies and stakeholders have come together to build global multi-stakeholder initiatives in order to trace commodities collaboratively. Examples:
 - Bonsucro
 - The Marine Stewardship Council (MSC)
 - UTZ Certified



Impact & Opportunities for traceability

Traceability is already providing impact, but there is more to do.

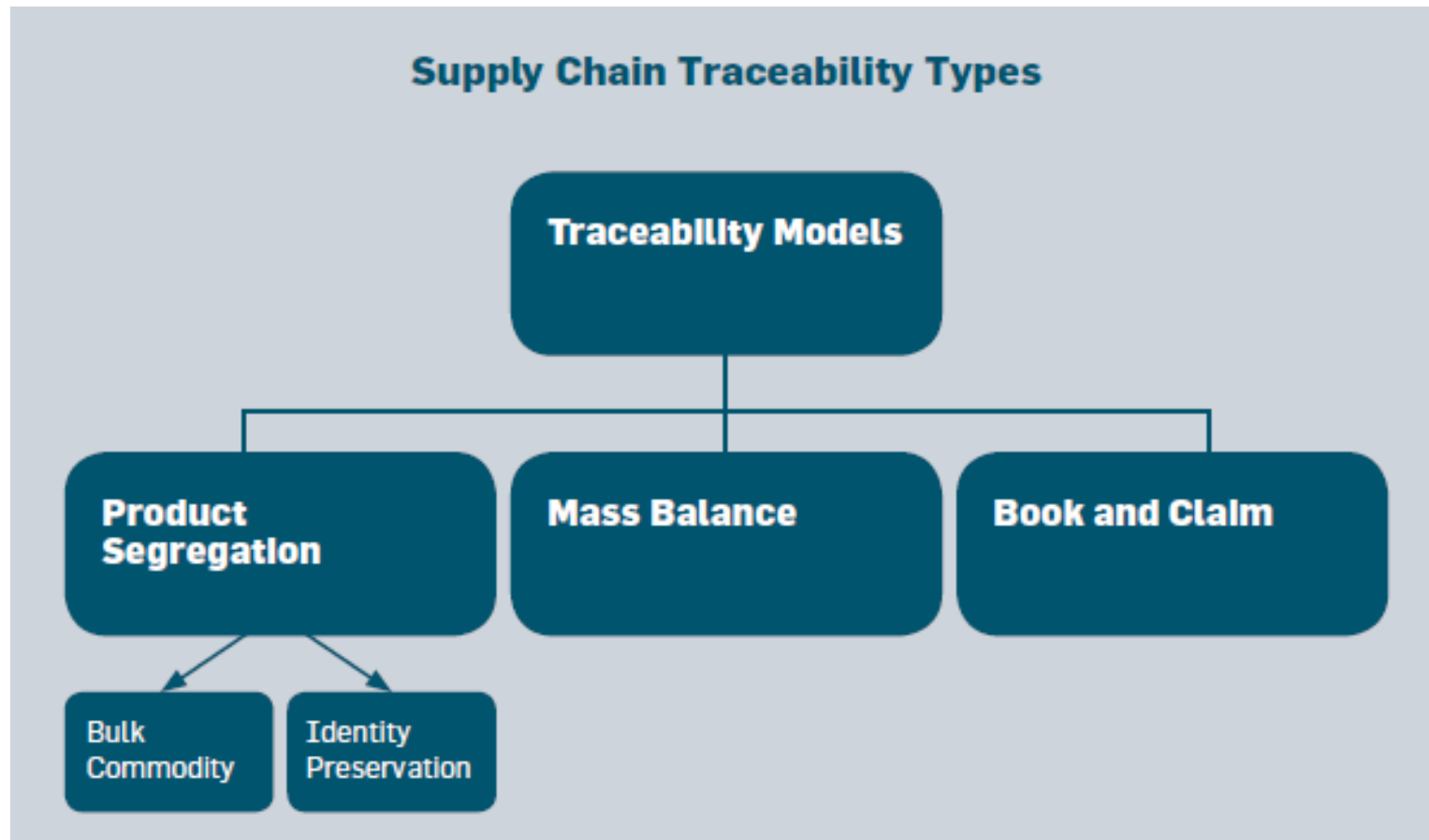
Impact of Traceability

- Drives the sustainability of raw materials
 - Timber: Relative annual growth rate of 11.8% in forest certification (either FSC or PEFC); currently 10% of world's forest area are certified sustainable
 - Cotton: 8% of global cotton consumption engaged in the Better Cotton Initiative
 - Bonsucro: 3.66% of global sugar is certified
- Proof of good business practices
- Unites companies and stakeholders around a common purpose

Opportunities to strengthen traceability

- For certain commodities, traceability is difficult due to supply chain complexity. More is needed to increase transparency at certain key points in supply chains.
- Increase availability and scale of certified, traceability products
- Reduce cost of traceability for all supply chain actors
- Develop technology to meet traceability needs

Traceability Models



Best practice in sustainability

THE MODEL: COLLABORATION IS BEST PRACTICE FOR TRACEABILITY

A clear model has emerged of best practice in traceability based on interviews and research conducted in developing this guide. The model has three distinctive features:

1. One independent, multi-stakeholder **Global Collaborative Scheme**. This organization provides guidance and works on commodities to advance traceability.
2. **Focus**. The traceability scheme is focused on a limited number of issues, both in terms of the number of commodities and the sustainability attributes that must be traced.
3. **Appropriate collaboration along the supply chain**. The supply chain actors along the way are participating in the scheme in a manner appropriate to their position in the supply chain, and are communicating with their immediate business partners.



Drivers and Benefits

Values and Efficiencies	Stakeholder Pressure	Regulation	Global Alignment
<ol style="list-style-type: none"> 1. Reducing risk 2. Operational efficiencies and process consistency 3. Securing supply 4. Supplier selection and supplier relationships 5. Reputational benefits 	<ol style="list-style-type: none"> 6. Meeting stakeholder demands for more product information 7. Ensuring sustainability claims are true 	<ol style="list-style-type: none"> 8. Meeting legal requirements 	<ol style="list-style-type: none"> 9. Standardization of expectations, processes and systems 10. Ensuring security of natural resources

Seven Steps to traceability implementation

1. Identify the key commodities.
2. Gain a full understanding of all relevant sustainability issues to those commodities and identify whether traceability is the best way to mitigate those risks.
3. Develop the business case for traceability.
4. Take traceability action.
 - If there is an existing traceability scheme, get involved.
 - If there is not an existing scheme for that commodity, reach out to peers and stakeholders (and the UN Global Compact) to encourage or start one.
5. Engage internally with key staff, and develop solid internal practices and processes.
6. Engage with suppliers.
7. Stay the course.



Fish

Key Issues

- Preventing overfishing
- Reducing impacts of aquaculture farms
- Reducing illegal fishing

Relevant Actors

- Marine Stewardship Council
- Aquaculture Stewardship Council
- UN Food & Agriculture Organization
- ISEAL Alliance
- ISO 12875
- Sodexo, UK grocery retailers

Gaps & Opportunities

Greater Alignment
Scale



Palm Oil

Key Issues

- Deforestation of rain forests
- Destruction of habitat of flora and fauna
- Climate change
- Social impact: indigenous rights, fair income for small-scale farmers

Relevant Actors

- Roundtable on Sustainable Palm Oil
- Physical Trading system via Mass balance
- eTrace of Certified Sustainable Palm Oil (CSPO)
- Green-Palm (book and claim)
- ISCCS (biofuels)
- Sustainable Palm Oil Platform
- Tropical Forest Alliance 2020
- Indonesian Sustainable Palm Oil standard
- Unilever

Gaps & Opportunities

Increasing certification, driving traceability

Collaboration / integration of systems



Sugar

Key Issues

- Climate change
- Preventing deforestation
- Destruction of habitat of flora and fauna
- Land rights
- Local food security

Relevant Actors

- Bonsucro Certification System
- ISCC EU Certification (biofuels)
- Fair Trade Labelling Organization International

Gaps & Opportunities

Increasing certification, driving traceability

Enforcement of standards and traceability.



Thank you.



Rafael Seixas
Policy & Research Analyst,
Bonsucro

**Bonsucro: Leading traceability
in the sugarcane sector**

Traceability in Global Supply
Chains: Food and Agriculture
9 July 2014
Webinar



Bonsucro is:

A multi-stakeholder organisation

which

fosters the sustainability of the sugarcane sector

through

a metric-based certification scheme

and

by supporting continuous improvement for members.

Complexity of supply chain





Buying Certified Products:
2 ways



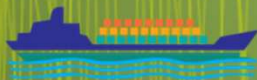
*Mill is awarded
certification*



Sugar: X t
Ethanol: Y m³

*Certificate
indicates quota of
certified products*

Mass balance



On Product Claim

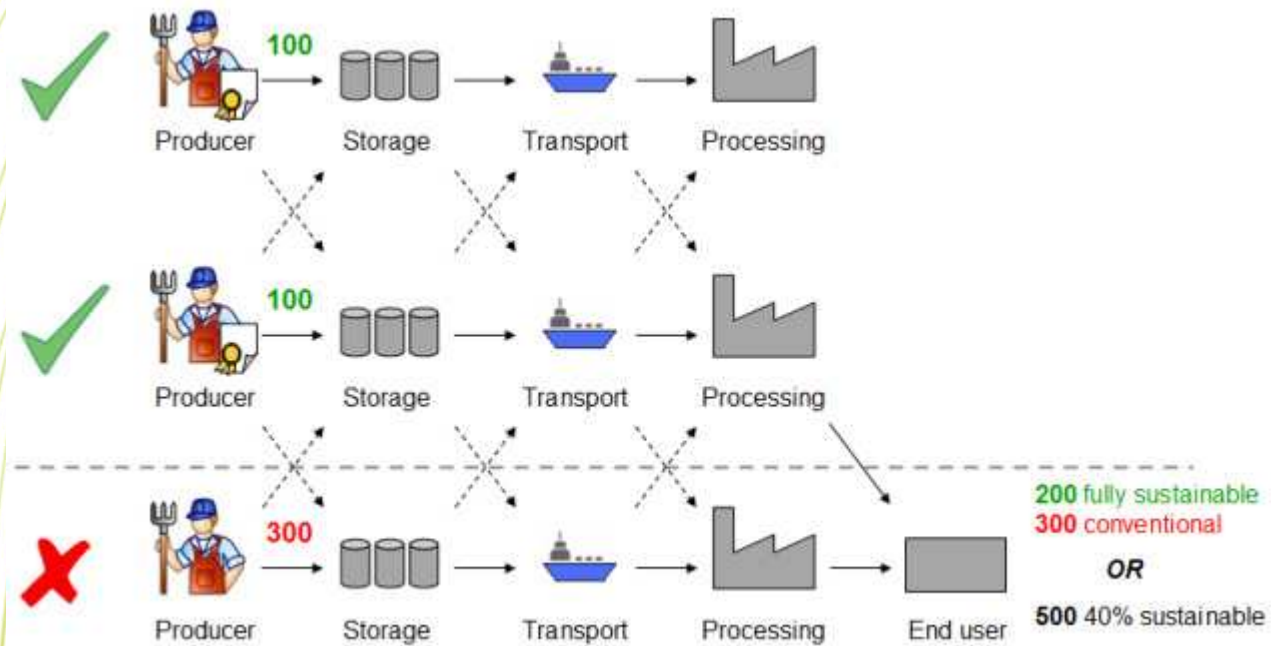
Credit Trading System



Off Product Claim

*Quota can be
allocated to a
physical
shipment or sold
independently*

Mass Balance – The principles



Mixing allowed at any stage: segregation is not required

Objective: output \leq input

(3-month period balance)

How a credit is created?

- Either by the certified mill (buyer has to be a Bonsucro member)
- OR by a ChoC certified company, by buying certified physical product and detaching its sustainability characteristics, creating a “tradable” Bonsucro credit



BONSUCRO®

Buying certified products:
Physical shipment

Unilever
Kibon Ice Cream



Summary: pro and cons of each tool to design your ChoC strategy

MB

ChoC Audit and membership required

On-product claim

Credits

No audit required, only membership

Off-product claim

How can Bonsucro help?

First Steps

- End users acknowledge they need to **mitigate the risks in their supply chain**
 - Work with Bonsucro to **map their supply chain** so they can understand **what and where** the risks are
- Create **alignment** within their own organisation to enable a **cross-function awareness** of Bonsucro

Implementation

- Work with End Users (buyers) on their **sugarcane sustainability strategy** to enable them to purchase [n%] of **Bonsucro Certified products**
- Aid End Users reach through ongoing support - **custom training, seminars, materials**

BONSUCRO®

Maraming
salamat po!

¡Gracias!

Vinaka vaka
levu!

آپ کا شکریہ!

ขอบคุณ!

Obrigado!

धन्यवाद!

Thank you!

Merci!

Dank je wel!

Dankie!



CERTIFIED SUSTAINABLE SEAFOOD



Marine Stewardship Council

Supply Chain Traceability

9th July 2014

Chelsea Reinhardt
Senior Supply Chain Manager





Marine Stewardship Council

*Our **mission** is to use our ecolabel and fishery certification program to contribute to the health of the world's oceans by recognising and **rewarding sustainable fishing, influencing the choices people make** when buying seafood, and **working with our partners** to transform the seafood market to a sustainable basis.*

About 10% of the world's catch is now MSC certified or under-assessment – over 300 fisheries worldwide

About Chain of Custody (CoC)



- CoC certification required for **every legal owner** of MSC product in the supply chain
- Audits carried out by accredited **3rd party certification** bodies
- Currently 2600 CoC certificates and **34,000 sites** globally



CoC provides assurance to consumers that MSC labelled products came from a certified fishery

Traceability challenges



Seafood supply chains are complicated (*example: Alaska pollock*)



Traceability challenges



Similar-looking products can have very different prices – hard to detect mislabelling



Home | Aquaculture | Fisheries | Prices | Finance | Events | Photos | Jobs | Reports | Intra



Horse meat scandal a caution for seafood industry

There may not be horse meat in the fish aisle, but are there other dangers to snuff?

Think you're eating tuna? Think again

Food experts surprised at lack of concern over mislabelled fish in Canada

By Sunnie Huang, CBC News | Posted: Apr 8, 2013 5:37 AM ET | Last Updated: Apr 8, 2013 11:10 AM ET



*Oceana study finds mislabelling rates of 25-70%**



Photo: Orjan F. Ellingsvaag

Obama calls for seafood sold in US to be sustainable, traceable

Major policy actions unveiled Tuesday at State Department 'Our Ocean' conference.

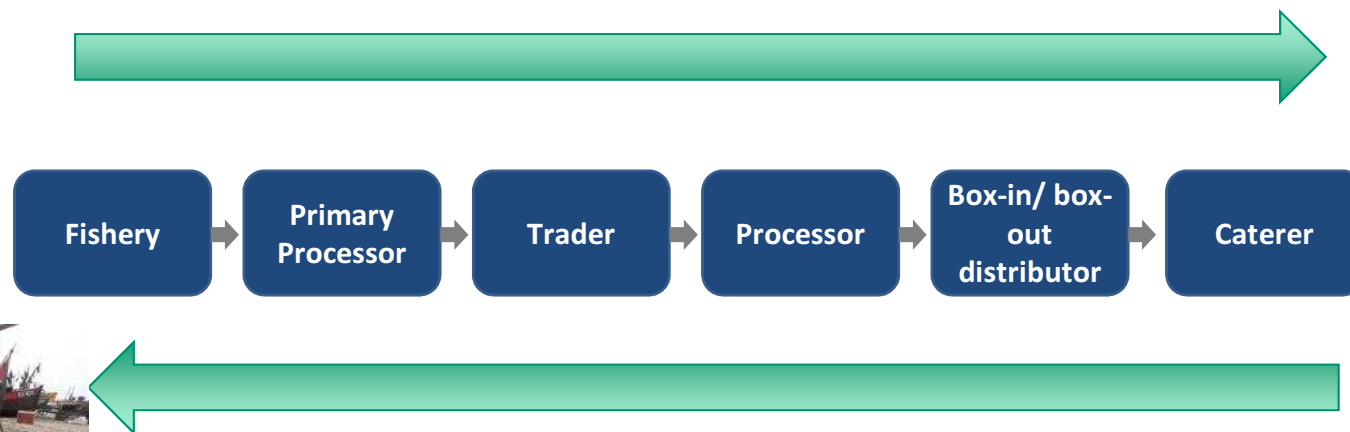
Source: http://oceana.org/sites/default/files/reports/National_Seafood_Fraud_Testing_Results_FINAL.pdf

MSC approach to traceability



1. Preventative traceability

- CoC certification: *every legal owner of MSC product*
- 3rd party audits: include mass-balance and traceability test
- One-step up/ one-step down traceability at each link



2. Traceability assurance

- Product tracebacks
- DNA testing

Chain of Custody standard – 4 principles



1. **Management system** – employee training, process controls, etc.
2. **Traceability system**
 - Batch based, from raw material input, through each stage of handling and storage, through to final sale to customer
3. **No substitution of certified products with non-certified products**
4. **Identification of certified products at every step of handling and processing**

Outcome-based standard, applies to organisations of all sizes and types

MSC traceability assurance measures



1. Traceback: confirms traceability at each step in the supply chain through reviewing documents

Example Supply Chain



Collect traceability documents from each step, back to certified fishery

2. DNA testing: validates origin species and/or location of final product



???

Collect DNA samples of final products



Future developments in CoC



1. **Online Supply Chain Volume Tracking (MOTs – pilot phase currently)**
 - Future integration with electronic batch traceability
2. **Stronger auditing process** – unannounced audits, risk-based audit duration, better information sharing across the supply chain
3. **Expanded use of DNA testing and similar techniques**



DNA tests validate MSC labelling

16 July 2012

Independent DNA testing on randomly selected Marine Stewardship Council (MSC) labelled products has proved the validity of the MSC labelling scheme. Of the 196 products tested in the most recent market sampling, 192 were correctly labelled, a positive validation rate of 98%. Testing confirmed that they originated from the species of fish identified on the pack. Samples were collected from across eleven different markets, including markets in Europe, Africa, the Americas, Australasia and Asia.

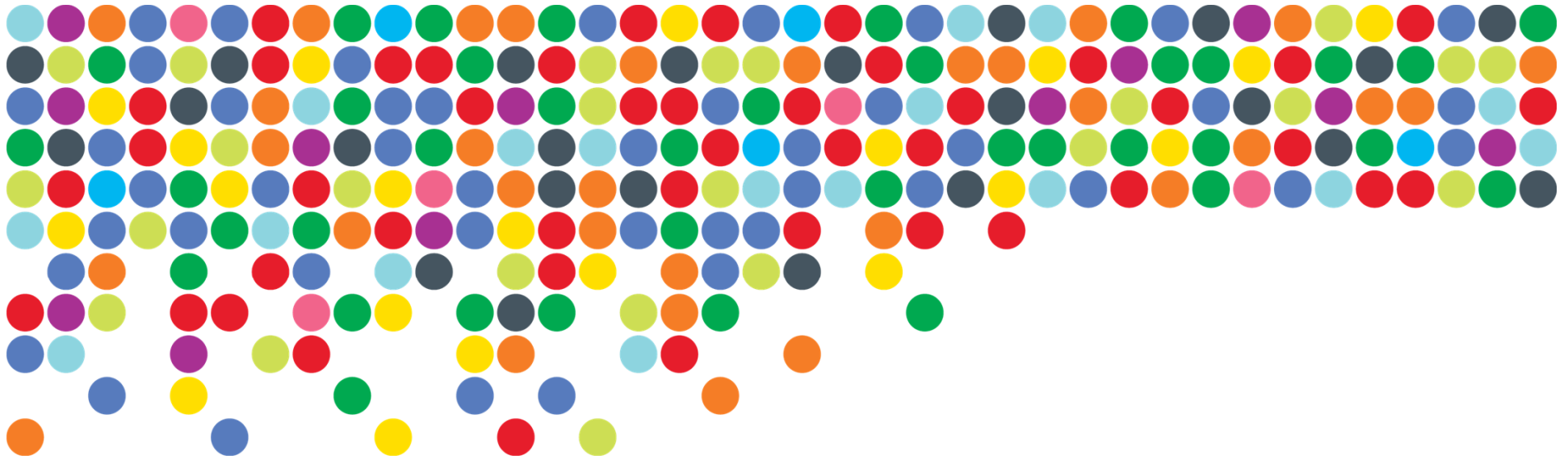


Thank you

For more information:

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www.msc.org

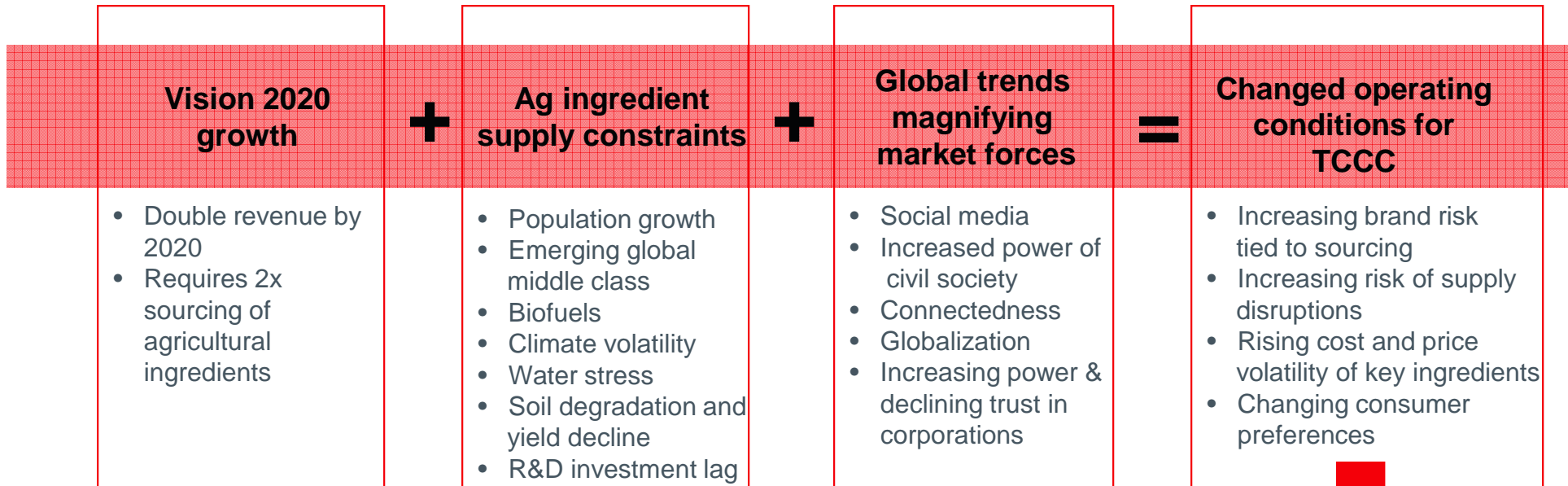


Accelerating TCCC's Sustainable Ag Program

July 9, 2014



TCCC is a company rooted in agriculture facing changing operating conditions



Our sustainable ag commitment can:

- Enhance brand by improving social and environmental outcomes at the farm
- Increase continuity and resiliency of our ag supply chains through more strategic supplier relationships
- Support required top line growth through increasing yields
- Protect our license to operate in developing geographies dependent on agricultural economies

Business value at stake

Coca-Cola's 2020 Sustainable Agriculture Goals and Commitments



SUSTAINABLE AGRICULTURE

GOAL: 100% of **priority commodities** meet **sustainable procurement standards**

Sweeteners:



Sugar
(Cane)

Sugar
(Beet)

Corn
(HFSS)

Stevia

Fruit:



Lemon



Orange



Mango



Apple



Grape

Other:



Tea



Coffee



Pulp & Paper
(Forestry
products)



Soy



Palm Oil

Sustainable Agriculture Guiding Principles

LAY THE FOUNDATION FOR “SUSTAINABLY SOURCED” EXPECTATIONS

Human and Workplace Rights

- | | |
|---|-------------------------------------|
| 1. Freedom of Association and Collective Bargaining | 4. Work Hours and Wages |
| 2. Prohibit Child, Forced or Abuse of Labor | 5. Safe and Healthy Workplace |
| 3. Eliminate Discrimination | 6. Community and Traditional Rights |

Environmental Protection

- | | |
|--|---------------------|
| 7. Water Management | 10. Soil Management |
| 8. Energy Management and Climate Protection | 11. Crop Protection |
| 9. Conservation of Natural Habitats and Ecosystems | |

Management Systems

- | | |
|--|---|
| 12. Harvest & Postharvest Handling | 14. Management Systems, Record Keeping and Transparency |
| 13. Reproductive Material Identity, Selection & Handling | 15. Business Integrity |



Defining Expectations

Our minimum performance expectations:
Comply with the **Mandatory and Core** Criteria



SAGP Category	Criteria			
	Mandatory	Core	Recomm'd	Total
Human & Workplace Rights	21	1	3	25
Environment	5	18	4	27
Management Systems	4	1	12	17
Total	30	20	19	69

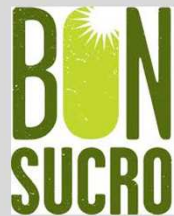
Big picture strategy to close the gap

Overall sustainable agriculture strategy is a multi-prong approach of driving progress to goal and credible brand enhancing stories to show early momentum while ensuring commitment is met by 2020

1. Focus on priority ingredients in key sourcing regions
2. Prioritize actions by region and ingredient based on their ability to move the needle, level of effort/cost, alignment with other sustainability goals and creation of business value
3. Execute “quick wins” to show immediate progress and provide PR / branding opportunities
4. Announce “big, bold ideas” to demonstrate commitment
5. Align with strategic partners including suppliers, customers and peers that can accelerate progress at best business value

Options for meeting our sustainable agriculture guiding principles

Standards that meet SAGPs



Standards requiring supplement to meet SAGPs



GLOBALG.A.P.

We are building capabilities and systems to enable successful roadmap execution

1. **Operating system** – Design an effective governance system that drives accountability to goals and clarifies team structures, team charters, decision rights, roles, and responsibilities
2. **Quick wins** – Invest in projects that will build early momentum and confidence towards goals. (e.g. achieving coffee and tea goals by 2015)
3. **Simplify SAGPs** – Make it easy to communicate SAGPs to suppliers by reducing the complexity of what is required to comply.
4. **Verification** – Begin developing the systems to verify progress on commitments (e.g. validating supplier assessments with field audits, systems for data collection, and process for reporting)
5. **Capabilities** – Arm procurement teams with the capabilities needed to effectively engaged suppliers on SAGPs.
6. **Data & Analytics**– Improve access to and integration of sourcing data on volumes and spend by supplier and country. Develop better analytics to assess risks in value chains of things like climate change, water, smallholder livelihood, economic value, etc...

Q & A



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Thank You

Thank you for joining us today.

Presentation slides and a recording of the webinar will be available on the UNGC website.

If you have any additional questions, please contact:

Anita Househam: househam@un.org



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