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?
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
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.
## Brief History of Traceability

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>1930s</td>
<td>European countries wanted to prove the origin of high-quality food such as French champagne</td>
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<tr>
<td>1990s</td>
<td>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</td>
</tr>
<tr>
<td>2005</td>
<td>European Commission implemented several directives and regulations on food safety</td>
</tr>
<tr>
<td>Today</td>
<td>Consumers, NGOs, governments, suppliers and buyers increasingly demanding more information about origin of products</td>
</tr>
<tr>
<td></td>
<td>Increased demand for organic, fair trade and environmentally friendly products and materials</td>
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</tbody>
</table>
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

Supply Chain Traceability Types

- Traceability Models
  - Product Segregation
    - Bulk Commodity
    - Identity Preservation
  - Mass Balance
  - Book and Claim
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.

Independent, multi-stakeholder Global Collaborative Scheme

Focus: One commodity, specific sustainability attributes

- Responsible for the overall traceability of the commodity
- Sets standards/certification requirements
- Monitors commodity source and each step in the chain of custody
- Ensures the flow of data as appropriate between sources

Producers / Raw Material Sources
- Certified to global scheme
- Subject to independent audits
- Share data

2nd Tier & Beyond Indirect Suppliers
- Certified to scheme
- Document chain of custody
- Top management support
- Resources to implement
- Subject to audits
- Share data

1st Tier Direct Suppliers
- Certified to scheme
- Document chain of custody
- Top management support
- Resources to implement
- Subject to audits
- Share data

Brands / Sellers
- Participation in scheme
- Strong buyer adherence to internal policy
- Top management support
- Integrated procurement processes
- Resources to implement
# Drivers and Benefits

<table>
<thead>
<tr>
<th>Values and Efficiencies</th>
<th>Stakeholder Pressure</th>
<th>Regulation</th>
<th>Global Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Operational efficiencies and process consistency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Securing supply</td>
<td>7. Ensuring sustainability claims are true</td>
<td></td>
<td>10. Ensuring security of natural resources</td>
</tr>
<tr>
<td>4. Supplier selection and supplier relationships</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5. Reputational benefits</td>
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</table>
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.
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
### 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
Bonsuco 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

Certificate indicates quota of certified products

Sugar: X t
Ethanol: Y m³

Mass balance
Credit Trading System

On Product Claim
Off Product Claim

Quota can be allocated to a physical shipment or sold independently
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
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

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**Summary:**
- **MB** requires ChoC Audit and membership, but offers an on-product claim.
- **Credits** do not require an audit, only membership, but offer an 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
Thank you!

Obrigado!

Merci!

Maraming salamat po!

¡Gracias!

¡Gracias!

Thank you!

Dank je wel!

Dankie!

Vina ka vaka levu!

धन्यवाद!

آپ کا شکریہ!

ขอบคุณ!

Obrigado!
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.
Seafood supply chains are complicated (example: Alaska pollock)
Traceability challenges

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

Oceana study finds mislabelling rates of 25-70%*

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

chelsea.reinhardt@msc.org
Accelerating TCCC’s Sustainable Ag Program

July 9, 2014
**TCCC is a company rooted in agriculture facing changing operating conditions**

<table>
<thead>
<tr>
<th>Vision 2020 growth</th>
<th>Ag ingredient supply constraints</th>
<th>Global trends magnifying market forces</th>
<th>Changed operating conditions for TCCC</th>
</tr>
</thead>
</table>
| • Double revenue by 2020  
  • Requires 2x sourcing of agricultural ingredients | • Population growth  
  • Emerging global middle class  
  • Biofuels  
  • Climate volatility  
  • Water stress  
  • Soil degradation and yield decline  
  • R&D investment lag | • Social media  
  • Increased power of civil society  
  • Connectedness  
  • Globalization  
  • Increasing power & declining trust in corporations | • Increasing brand risk tied to sourcing  
  • Increasing risk of supply disruptions  
  • Rising cost and price volatility of key ingredients  
  • Changing consumer preferences |

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**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

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**Business value at stake**
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**

<table>
<thead>
<tr>
<th>Human and Workplace Rights</th>
<th>Environmental Protection</th>
<th>Management Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>15. Business Integrity</td>
</tr>
<tr>
<td>4. Work Hours and Wages</td>
<td>10. Soil Management</td>
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</tr>
<tr>
<td>5. Safe and Healthy Workplace</td>
<td>11. Crop Protection</td>
<td></td>
</tr>
<tr>
<td>6. Community and Traditional Rights</td>
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</tr>
</tbody>
</table>

**Conservation of Natural Habitats and Ecosystems**

**Soil Management**

**Crop Protection**

**Management Systems**
## Defining Expectations

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

<table>
<thead>
<tr>
<th>SAGP Category</th>
<th>Criteria</th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Mandatory</td>
<td>Core</td>
<td>Recomm’d</td>
<td>Total</td>
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<td>3</td>
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<td>Environment</td>
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<td>Management Systems</td>
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<td>1</td>
<td>12</td>
<td>17</td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>20</strong></td>
<td><strong>19</strong></td>
<td><strong>69</strong></td>
<td></td>
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</tr>
</tbody>
</table>
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
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…
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