Traceability in the Global Supply Chains

Objectives and Challenges

8 January, 2014 – 10:00 am EST
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?
Agenda

**Welcome and Introduction**
*Elena Bombis*, Advisor, Supply Chain Sustainability, Legal & Policy, UN Global Compact

**Update on the UNGC Guide on Traceability**
*Tara Norton*, Director, Advisory Services (EMEA), BSR
Member of UNGC Advisory Group on Supply Chain Sustainability – Traceability Task Force

**UTZ Certified’s role in Traceability**
*Han de Groot*, Executive Director, UTZ Certified

**Sustainability at the Mosaic Company**
*Chris Lambe*, Senior Director Social Responsibility, The Mosaic Company

**Historic Futures – The Why and How of Traceability**
*Tim Wilson*, Director, Historic Futures

**Q & A: Remaining Time**
Global alignment on supply chain traceability best practices

&

Update on the UNGC Guide to Traceability
1. Definition
2. Update on the Guide to Traceability
3. Highlights from the Draft Guide
   • Best practice model
   • Key drivers
   • Opportunities by commodity
ISO definition:

- *Traceability* is the ability to identify and trace the history, distribution, location, and application of products, parts, and materials.
- A *traceability system* records and follows the trail as products, parts, and materials come from suppliers and are processed and ultimately distributed as end products.

In the context of *Sustainability*, traceability is a tool to assure and verify sustainability claims associated with commodities, ensuring good practice all along their supply chains.
Traceability Guide: Update

UNGC is developing a guide to traceability for sustainability purposes

30+ interviews with companies, suppliers, NGOs, and traceability schemes

Research to identify global traceability schemes and existing references

Draft of the guide will be completed in Q1, and open for public consultation.
1. Definitions
2. Benefits & Limitations of Traceability
3. Global Collaborative Opportunities
4. Assessments of Options & Alternatives
5. The Practicalities of Traceability
Model: Best practice is collaboration

Achieving supply chain traceability through collaboration

SUPPLY CHAIN

Brands/Sellers
- First tier/direct suppliers
- Second tier & below/indirect suppliers

Producers/Raw material sources

RESPONSIBILITIES

- Participant in global collaborative scheme
- Strong internal policy; which buyers must adhere to
- Top management support
- Integrated procurement processes
- Resources dedicated to implementation

- Certified to global collaborative scheme
- Must document proven chain of custody
- Top management support
- Resources dedicated to implementation
- Subject to audits
- Share data

- Certified to global collaborative scheme
- Subject to audits
- Share data

SUPPORT SYSTEM

Focused Global Collaborative Scheme

One commodity, specific sustainability attributes

Standard/certification for:
- Source
- Chain of custody
- Processes of suppliers and brands

Responsible for verification/audits

Provides Data Store
Key Drivers for Companies

Value & Efficiencies
- Commodity is of significant value to the business
- Operational efficiencies
- Process consistency

Regulation
- Trading in the commodity is subject to legal requirements, e.g. The Lacey Act [wood]; The Dodd-Frank Act [minerals]

Stakeholder Pressure
- Assurance to customers, media, NGOs, investors

Level Playing Field
- Standardization of approach across an industry
- Ensure security of natural resources
Opportunities by commodity

- A focus by **Commodity**
- Research has highlighted 40+ sustainability schemes with some traceability component
- Enable companies to identify schemes by commodity
- For 10 key commodities, highlight global opportunities:
  - Main traceability schemes, with benefits and challenges
  - Challenges that further collaboration could address
Thank you.
UTZ Certified’s role in Traceability

Han de Groot, Executive Director
January 8, 2013
UTZ Certified

- UTZ Certified is a **program** and **label** for sustainable farming worldwide
- Independent foundation since 2002
- Development of sustainable agricultural supply chains through **certification programs** and **traceability services** for agricultural commodities
  - Coffee since 2002
  - Cocoa and tea since 2007 (Rooibos 2012)
  - Palm oil & cotton (traceability services)
Mission & Vision

Our mission is to create a world where **sustainable farming is the norm**.

Sustainable farming helps **farmers**, **workers** and their **families** to fulfill their ambitions and contributes to safeguard the world’s resources, now and in the future.

A world where sustainable farming is the norm, is a world where:

- **farmers** implement good agricultural practices and manage their farms profitably with respect for people and planet,
- **industry** invests in and rewards sustainable production, and
- **consumers** can enjoy and trust the products they buy.
Where do we work?
Key numbers

- 97 consuming countries (8,350 products with our logo)
- 31 producing countries (coffee, cocoa, tea, Rooibos)
- 398,626 certified producers
- 1,069 partners
- 90 employees (based in 13 countries)
In 2012,
• UTZ Coffee was produced in 23 countries and consumed in 62 with 8% of global production
• UTZ Cocoa was produced in 14 countries and consumed in 93 with 13% of global production
• UTZ Tea was produced in 10 countries and consumed in 14 with 2% of global production
What do we do?

- Help farmers to improve
- Make the improvements visible
- Connect parties in a transparent chain
- Tell the story & create demand
The Traceability System

Traceability is assured by the combination of chain-of-custody certification and a central online system.
Coexistence & interaction of Traceability Programs

Adjust the traceability program level of product while it goes through the supply chain.

Apply certification level of the supply chain actors involved.

Label policy A
Label policy B
Label policy C
Label policy D
Label policy E
Value of 3\textsuperscript{rd} party traceability

- Assurance that certified products are linked to certified sources
- Proof to the logo and/or claim on the product
- Sector wide ambition and playing field
- Connect main market players and civil society
- Monitoring of performance and impact
- Create a system that brings good practice to scale
Some UTZ Certified partners
THANK YOU

FOLLOW US ON:  
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www.utzcertified.org
Sustainability at
The Mosaic Company

Chris Lambe – Senior Director Social Responsibility & Executive Director the Mosaic Company Foundation
Mosaic is the world’s largest combined producer of potash and phosphate - 2-essential crop nutrients

Vertically integrated company with 8,000 employees; operations in 9 countries; and sales in 40+ countries.

Operating mines and production facilities in the United States, Canada, Peru and Saudi Arabia; and production, blending and distribution facilities in Brazil, China and India.

Expansive transportation network that moves 50,000 tons of raw materials, goods in process and finished product each day.

Promoting best agricultural practices while developing precision fertilizers, nutrient application training and educational outreach programs.
Is Supply Chain Material to Mosaic?

5- Buckets of Sustainability at Mosaic

Food
• Food Security, Balanced Nutrition, Product Innovation, Agricultural Development

Environment
• Land, Water, Energy, Air, Nutrient Management

People
• Safety, Employment Practices, Employee Development, Supply Chain and Contractors, Sourcing, Diversity and Inclusion

Community
• Community Investment, Stakeholder Engagement, Employee Involvement

Company
• Governance, Partnerships, Management Structure, Management Systems
Customer Focus for Traceability

- Mosaic is at the very beginning of the Supply Chain. Most of our procurement is not material to our overall sustainability profile.

- We provide data and assurance to others more than we evaluate our own vendors and suppliers.

- Carbon, Water & Product Innovation (R&D) are the most common enquiries.

- Our customers requests are often driven by their customer requests for traceability. E.g. Tyson Foods & Wal-Mart.
Our two most common questions are what is the carbon and water footprint of a ton of product?

- **Carbon:** Through power cogeneration (waste heat capture), Mosaic has greatly reduced carbon emissions per ton of product produced.

- **Water:** In 2012, Mosaic reused or recycled **90%** of all water used in our Florida Phosphates operations and **80%** in our Canadian shaft mines.
New Products

Nexfos®

• The first innovation in feed-grade phosphate in 40 years, requires 90% less water and 55% less electricity per ton to produce than a traditional feedstock.

MicroEssentials®

• The unique chemistry and proper nutrient ratio of MicroEssentials promotes uniform nutrient distribution and improved nutrient uptake.
Traceability in Global Supply-Chains

Objectives and Challenges

8th January 2014

UNGC / BSR
Why...?

- **80% of** social and environmental **impact** of any product **is in the value-chain**... there are no **tools to measure**

The **lack of accurate and complete information** about the history of individual products undermines brand owners' ability to make informed sourcing decisions and reliable product claims.

Understanding the value-chain / supply-network can:

- Drive efficiency – **strategic sourcing** to improve resource utilisation
- Manage risk – **compliance** with regulatory and voluntary schemes
- Revolutionise marketing – meet customer needs for **trust and transparency**

**Supply networks are not effectively accountable** to customers, regulators and civil society.

- But it’s challenging to do...
How...?

- **Independent**, for profit organisation **focused** entirely on **value-chain mapping** techniques and applications

Because...

**Companies** taking part **in the value-chain** cannot provide a solution

**Industry** specific and **standard** specific solutions are difficult to scale **to consumer-ready products**

**Incoherent**, poorly defined **market**; too small / risky for existing B2B service providers

**Applicability**

Solutions must be practical, usable in real situations, working globally, at scale and with commoditised products.

...**requires an alternative approach to differentiated materials**

**Accuracy / precision / automation**

How accurate should the data be? Who will check and how do they know the “right” answer?

...it’s not (just) about barcodes and **RFID** tags
Details (might) matter...
Improves Efficiency - Manages Compliance - Inspires Trust - Strengthens Relationships - Creates New Markets

Scale does matter...

>12.5 million items; >6,500 retailer PO’s; >700 3rd party production sites; 15 months
But simplicity is king...

>40,000 sites globally, every time zone; multiple languages.

Improves Efficiency - Manages Compliance - Inspires Trust - Strengthens Relationships - Creates New Markets
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:

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