



The Origin Green
Ambassadors Global
Insights Reports 2021

PROTECTING TRADE THROUGH SUPPLY CHAIN TRANSPARENCY

Cáit Lynch &
Mairéad Comerford

BORD BIA
IRISH FOOD BOARD



Origin Green Ambassador Programme

Never has sustainability been so top of mind and globally important, and it is this convergence that has opened some important discussions among the global food industry. Bord Bia's Origin Green Ambassador programme is designed to open and facilitate these conversations and the role of Irish sustainability initiatives in export markets.

Created in 2013 with the Michael Smurfit Graduate Business School, this programme has at its heart two interlinked pillars: one focused on education in the sphere of Business Sustainability, and the other on partnership with major international food companies. The format of this 23 month programme towards an MSc in Business Sustainability ensures that high quality executives are placed in many of the leading Global Food & Drink companies, honing their skills while engaging on live sustainability projects. Working to embed sustainability best practices, strategic planning, refine policies and bring new thinking to their placements.

The Ambassadors are the connection between Ireland's Origin Green programme and its associated partner organisations who are world leaders in the global food industry. Over two years, modules focus on accelerating growth, sharpening business strategies, and anticipating change in an ever transient global economy. In partnering with major international food firms, these ambassadors can then build on an awareness of established Irish initiatives across key target markets.

In this series of global insights reports, the Ambassadors bring you their insights on some of the most pressing sustainability issues and opportunities facing our industry.



Cáit Lynch

Cáit's first placement was with Albert Heijn in The Netherlands working on risk assessment, supply chain transparency and responsible sourcing through their due diligence policy. Her second placement was with Danone UK & Ireland as Sustainability and Social Innovation Projects Manager working on the implementation of Danone's sustainability strategy, biodiversity roadmap development and employee engagement projects. Cáit's final placement was with OSI Europe. Here she led the redesign of OSI's sustainability benchmark for beef suppliers and coordinated the region's sustainability communications.

<https://www.bordbia.info/ucd-2021/>



Mairéad Comerford

Mairéad spent her first placement with Britvic in the UK where she created a water stewardship strategy for the company, worked with suppliers to map their water risk and helped calculate Britvic's carbon footprint for their Science Based Targets submission. Her final two placements were with Nestlé in Switzerland. There she worked on building strategic roadmaps for lower carbon and net zero emissions dairy farms across Nestlé's 27 milk markets and creating the fresh milk carbon footprint. She also worked with the Recipe and Product Development Taskforce creating Nestlé's 2.0 climate impact, ingredient comparison tool.

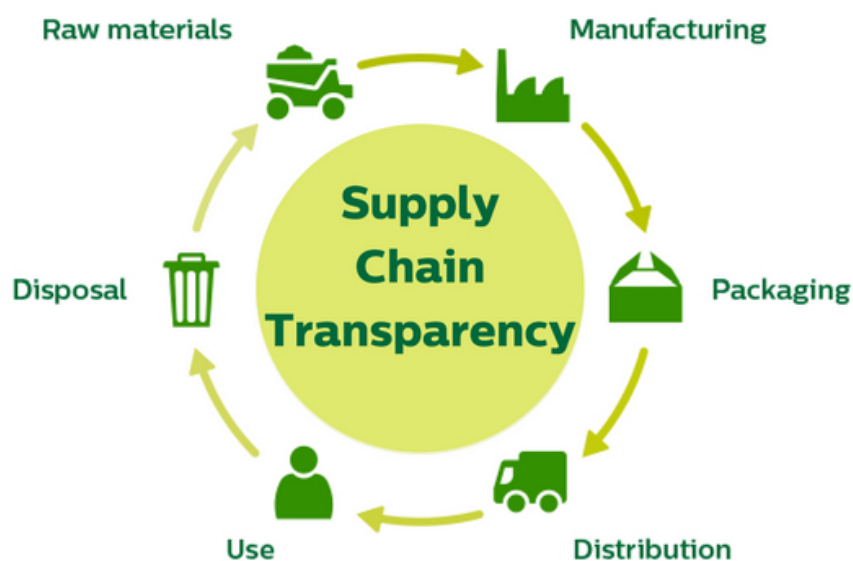
<https://www.bordbia.info/ucd-2021/>

Introduction

The concept of supply chain transparency was virtually unknown 15 years ago, yet today it commands the attention of mid- and senior-level managers across a broad spectrum of companies and industries.¹

This report explores how neglecting to meet demands for transparency can have major reputational, legal and even business disruption risks and how Irish food companies should be proactively protecting trade through supply chain transparency.

There is increasing global pressure on companies to disclose supply chain information. This is often instigated through environmental and social abuses uncovered in chains, further driven by global legislation and growing sustainable investing. Previously accepted levels of supply chain transparency are no longer sufficient. The trend is moving from compliance to full disclosure.



Source: <https://www.innovationservices.philips.com/app/uploads/2018/02/supply-chain-transparency.png>

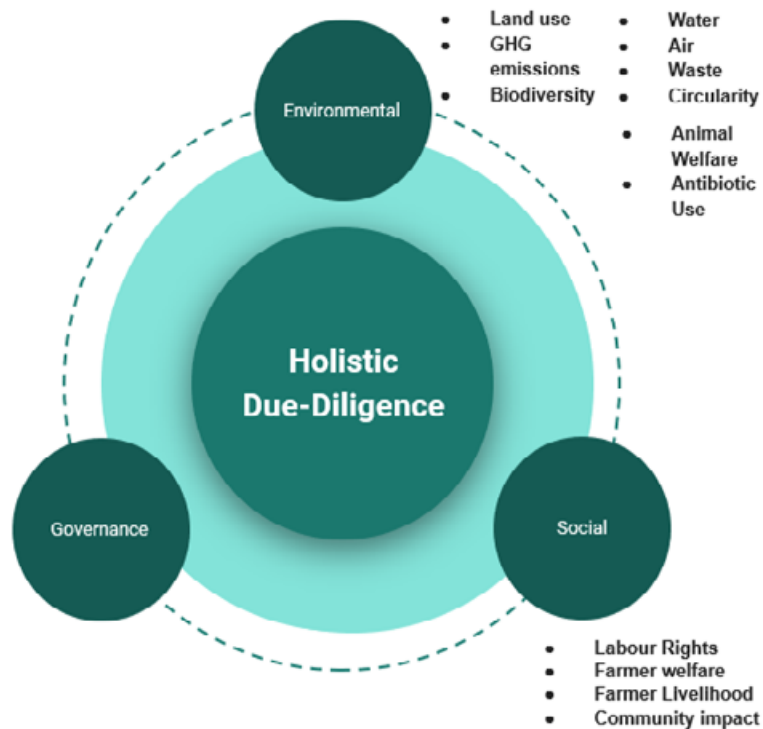
¹ Bateman, A., and Bonanni, L. (2019). What Supply Chain Transparency Really Means. Harvard Business Review.

Supply Chain Transparency and Due Diligence

In a transparent supply chain, a company has complete upstream visibility and shares this both internally and externally.²

Supply chain due diligence is the process by which businesses identify, prevent, mitigate and account for their adverse impacts throughout their operations and business relationships.³

This report considers a holistic approach to supply chain transparency and due diligence with consideration to environment, society and governance.



Source - Lynch & Comerford, 2021

² Bateman, A., and Bonanni, L. (2019). What Supply Chain Transparency Really Means. Harvard Business Review.

³ TriponeL, A., and Wolberg, M. (2020, December 3). TriponeL Consulting. Retrieved from Referendum or no referendum: human rights due diligence isn't going away for Swiss companies: <https://triponeLconsulting.com/2020/12/03/human-rights-due-diligence-isnt-going-away-for-swiss-companies/>

Increased Global Pressure

Media

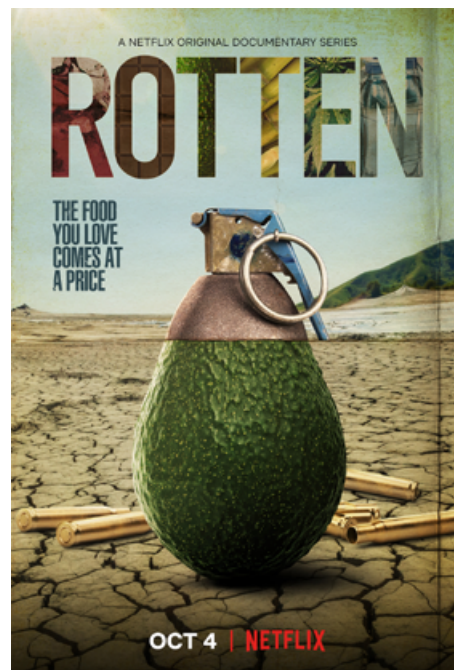
In the media, concealed human-rights and environmental abuses have become topics of investigatory series calling for increased transparency and better practices, increasing consumer awareness. There are many examples of this, such as the [Rotten](#) series exposing food supply chain corruptions, forced labour in [tomato picking](#) in Italy, the avocado industry's water scarcity and cartel linkages, [Nespresso](#) named in child labour exposés and employee welfare in the food industry during Covid-19.

Activists & NGOs

Activist NGOs, such as GreenPeace, Extinction Rebellion and Wakker Dier, have been gaining a lot of media attention through strong, emotive campaigns.

NGOs have also been scoring companies and brands on environmental and social impacts, such as OXFAM's Behind the Brands campaign. Notably, publicly available information on the sourcing policies and commitments are assessed, highlighting the need for both transparency and disclosure in companies' supply chains.

Other ratings include sector-specific such as [cocoa](#) rankings and the WWF [palm oil scorecard](#), and issue-specific ratings such as the Know The Chain [forced labour](#) Assessment.



Source: <https://www.imdb.com/>

Investors

In his 2021 letter to CEO's, Larry Fink, CEO of Blackrock, reconfirms that Environmental, Social & Governance (ESG) issues are more relevant than ever for investors, highlighting the 96% increase in sustainable investing since 2019 (from \$147Bn to \$288Bn).

BlackRock was an early participant in the Taskforce on Climate-related Financial Disclosures (TCFD) and is an advocate for its adoption as a non-financial reporting framework.⁴ TCFD reporting is set to become mandatory in the UK by 2025.

Since the pandemic hit, much research has indicated that the 'S' in ESG has gained importance for investors and greater attention is now given to companies' treatment of workers. However, it is important that environmental and social issues are viewed interconnectedly rather than independently of one another. This is reiterated in Fink's letter where he states, "Improved data and disclosures will help us better understand the deep interdependence between environmental and social issues."⁵

COVID-19

Covid-19 has further exposed the vulnerabilities and fragilities in global supply chains. Given abuses highlighted by the pandemic, the recovery phase is likely to reinforce the trend of increased regulation.⁶ One of the struggles that came with the pandemic was the social-distancing measures for plant employees, where questions arose around whether companies were doing enough to protect staff.

⁴ BlackRock. (2020, January). BlackRock Investment Stewardship's approach to engagement on the TCFD and the SASB aligned reporting. Retrieved from <https://www.blackrock.com/corporate/literature/publication/blk-commentary-tcdf-sasb-aligned-reporting.pdf>

⁵ Fink, L. (2020, January). Larry Fink's 2021 letter to CEOs. Retrieved from BlackRock: <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

⁶ UN PRI. (2020). Sustainable and Inclusive COVID-19 Recovery and Reform.

Ratings Risks

European countries have traditionally been considered low-risk in terms of human rights issues, but the UK [BooHoo scandal](#) is further proof that issues of negligence are happening closer to home and ESG ratings are starting to consider this. Infringements within supply chains can happen anywhere, even in traditionally 'low-risk' countries. As a result of allegations against BooHoo, the company is facing a possible US import ban.

Customers

In a recent study, global investor network FAIRR warned that big food companies are at risk of missing their publicly committed climate targets due to their suppliers' lack of progress, focusing particularly on meat and dairy providers.⁷ This urges food giants to look down their chains and put pressure on their suppliers to follow suit.

Consumers

Consumers are using their purchasing power to demand more from brands.

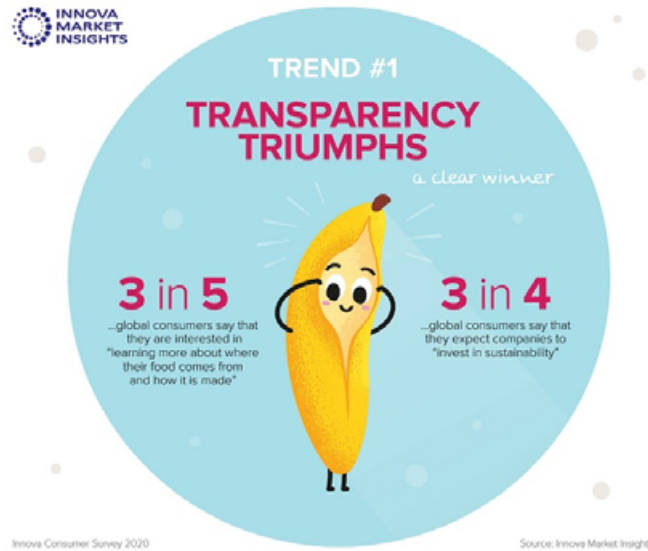


Source: <https://www.edie.net/news/7/In-numbers--The-growing-global-consumer-demand-for-corporate-transparency/>⁸

⁷ Askew, K. (2020, November 12). Is Nestlé and McDonald's climate ambition 'undermined' by 'plodding' meat and dairy suppliers? Retrieved from Food Navigator: <https://www.foodnavigator.com/Article/2020/11/12/Is-Nestle-and-McDonald-s-climate-ambition-undermined-by-plodding-meat-and-dairy-suppliers#>

⁸ Edie. (2018, October 30). In numbers: The growing consumer demand for corporate transparency. Retrieved from Edie: <https://www.edie.net/news/7/In-numbers--The-growing-global-consumer-demand-for-corporate-transparency/>

Transparency is Innova Market Insights’ top trend for 2021. Their global research reveals 60% of global consumers are interested in learning about where foods come from.⁹



As a result of more engagement, retailers and brands are offering more consumer-facing mobile apps. Examples include:

<p>App that shows customers roughly how much CO2 to produce a product</p>	<p>App that allows customers to see the impact of their purchase</p>	<p>Customers pay with carbon dioxide equivalents and their prices are based on their climate impact</p>	<p>The aim is to halve the environmental impact of the average UK shopping basket.</p>	<p>Albert Heijn uses blockchain technology so consumers can trace their orange juice back to the producer.</p>

Picture Sources: Contagious, 2020; MDPI, 2020; New Food Magazine, 2020; Tesco, 2019; Albert Heijn, 2018.

⁹ Ferrer, B. (2020, October 20). Transparency triumphs in Innova Market Insights’ Top Trends for 2021. Retrieved from Food Ingredients First: <https://www.foodingredientsfirst.com/news/transparency-triumphs-in-innova-market-insights-top-trends-for-2021.html>

Reputation and Brand Image

According to a study by the [World Economic Forum](#), on average more than 25% of a company's market value is directly attributable to reputation. Abuse in supply chains, at any stage through either direct or indirect suppliers, can have huge impacts on brands' reputation.



source: https://en.wikipedia.org/wiki/World_Economic_Forum

Government & Legislation

Heightened awareness, pressure and fallout from major scandals have all led to an increased legislative framework on transparency and responsible sourcing. Information disclosure is commonly used as a regulatory tool to influence corporations' behaviour. Transparency can provoke learning and encourage positive institutional change by empowering private watchdogs to monitor and pressure business leaders to alter harmful behaviour and encourage accountability.¹⁰ Once legislation comes into force in one country, a ripple effect is created across many others.

¹⁰ Doorey, D. (2011). The Transparent Supply Chain: from Resistance to Implementation at Nike and Levi-Strauss. *Journal of Business Ethics*, 587–603.

Environmental Legislation

UK

The upcoming Environmental bill will have a noteworthy impact on Irish suppliers and Ireland's €4.3Bn of food exports to the UK. One of the leading new measures necessitates greater due diligence from businesses. It will be illegal for businesses operating in the UK to use key commodities if they have not been produced in line with local laws protecting forests and other natural ecosystems.¹¹

All large businesses selling in the UK will be required to provide evidence that the forest risk commodities they source from around the world come from deforestation-free suppliers or provide a valid reason why they are unable to do so. Soy, palm oil, cocoa, beef, leather, rubber, wood and paper are all classed as forest risk.¹²

USA

President Biden announced that, under his administration, public companies will be required to disclose climate risks and greenhouse gas emissions in their operations and supply chains.¹³

Human Rights Legislation

Globally, over 30 laws and initiatives relating to business and human rights have been introduced in the last decade. Included are the EU Directive 2014/95 on non-financial reporting, the UK Modern Slavery Act of 2015, Section 1502 of the US Dodd-Frank Act on conflict minerals, and the Dutch Child Labour Due Diligence law.

Regulatory conversations have been taking place worldwide on businesses' role in responsible supply chain behaviour.

¹¹ Department for Environment, Food and Rural Affairs. (2020, November 11). Government sets out world-leading new measures to protect rainforests. Retrieved from Gov.uk: <https://www.gov.uk/government/news/government-sets-out-world-leading-new-measures-to-protect-rainforests>

¹² Edie. (2020, November 11). Environment Bill: UK businesses to be banned from sourcing through deforesters overseas. Retrieved from Edie: <https://www.edie.net/news/11/Environment-Bill--UK-businesses-to-be-banned-from-sourcing-through-deforesters-overseas/#:-:text=Environment%20Bill%3A%20UK%20businesses%20to%20be%20banned%20from%20sourcing%20through%20deforesters%20overseas,-11%20November%20>

¹³ CIPS. (2020, December 2). Swiss reject tough law on supply chain due diligence. Retrieved from CIPS.org: <https://www.cips.org/supply-management/news/2020/december/swiss-reject-tough-law-on-supply-chain-due-diligence/>

European Union

This year, the EU will introduce mandatory human rights and environmental due diligence legislation. Companies will be required to carry out supply chain due diligence and publicly disclose results and steps taken to alleviate any human rights and environmental risks they uncover. Crucially, this legislation ensures that any victims will have access to resolution in EU courts which means companies can be held liable for negative environmental and social impacts.

“For businesses, we’re creating a level playing field and legal clarity. For consumers, we’re ensuring fair products. For workers, we’re enhancing protection. For victims, we’re improving access to justice. And for the environment, we’re taking a step that is very long overdue.”¹⁴

Germany

Under proposed legislation, firms would face fines for failing to carry out mandatory due diligence on human rights.¹⁵

The Netherlands

The Dutch Child Labour Due Diligence Act will come into force mid-2022, obligating all companies selling into that jurisdiction to perform due diligence on their supply chain. Companies must investigate if there is any reasonable suspicion that products in their supply chain have relied on child labour and create an action plan to tackle cases. Non-compliance results in fines and criminal penalties.

A [proposal](#) has also been put forward for a Responsible & Sustainable Entrepreneurship Act. The Bill obliges companies to comply with the internationally recognised OECD standards for corporate social responsibility and would be a “major step to protect human rights and the environment worldwide.”

¹⁴ European Parliament. (2021). Companies should be held accountable for their actions, say MEPs. Retrieved from European Parliament: [https://www.europarl.europa.eu/news/en/headlines/society/20210303STO99111/companies-should-be-held-accountable-for-their-actions-say-meps?xtor=AD-78-\[Social_share_buttons\]-\[whatsapp\]-\[en\]-\[news\]-\[society\]-\[corporate-due-diligence-accountability-vdo-0321\]](https://www.europarl.europa.eu/news/en/headlines/society/20210303STO99111/companies-should-be-held-accountable-for-their-actions-say-meps?xtor=AD-78-[Social_share_buttons]-[whatsapp]-[en]-[news]-[society]-[corporate-due-diligence-accountability-vdo-0321])

¹⁵ CIPS. (2020, December 2). Swiss reject tough law on supply chain due diligence. Retrieved from CIPS.org: <https://www.cips.org/supply-management/news/2020/december/swiss-reject-tough-law-on-supply-chain-due-diligence/>



What does this mean for the Irish food industry?

Some of Ireland’s biggest export markets have implemented, or are planning to implement, legislation on environment, human rights and due diligence. It is essential to know what is happening in supply chains. If there are instances of human or environmental abuses, there is a real possibility of trade loss within some of our most lucrative markets. For example, all products sold in the UK will require due diligence to ensure there is no associated deforestation. This can be in any part of the supply chain. Soy in animal feed may be an area of particular interest to the Irish industry.

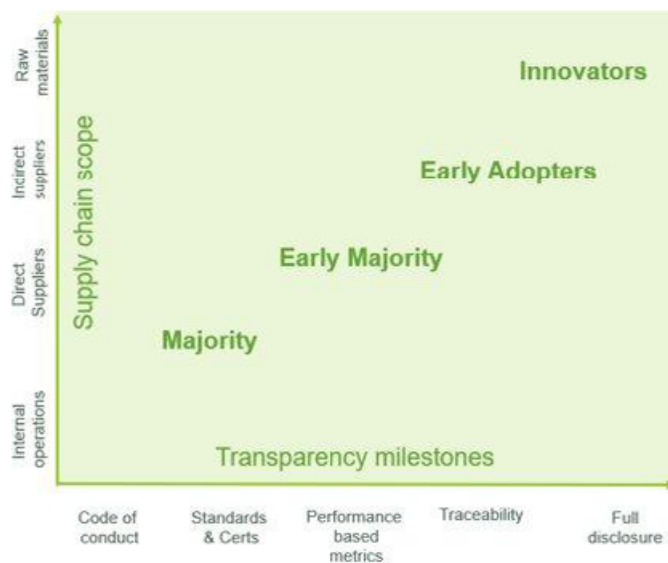
[The Reporting Exchange](#) – powered by the World Business Council for Sustainable Development (WBCSD) – is a comprehensive tool that maps out countries’ ESG reporting requirements.

Recommendations

1. Identify current transparency stage

A first step is identifying where the company currently lies on the transparency matrix. Transparency can be measured along two dimensions: Supply chain scope (the depth of interaction in the supply chain) and milestones on the path to complete transparency.¹⁶

It is important to move beyond codes of conducts, standards and certification and toward full disclosure throughout the whole supply chain.



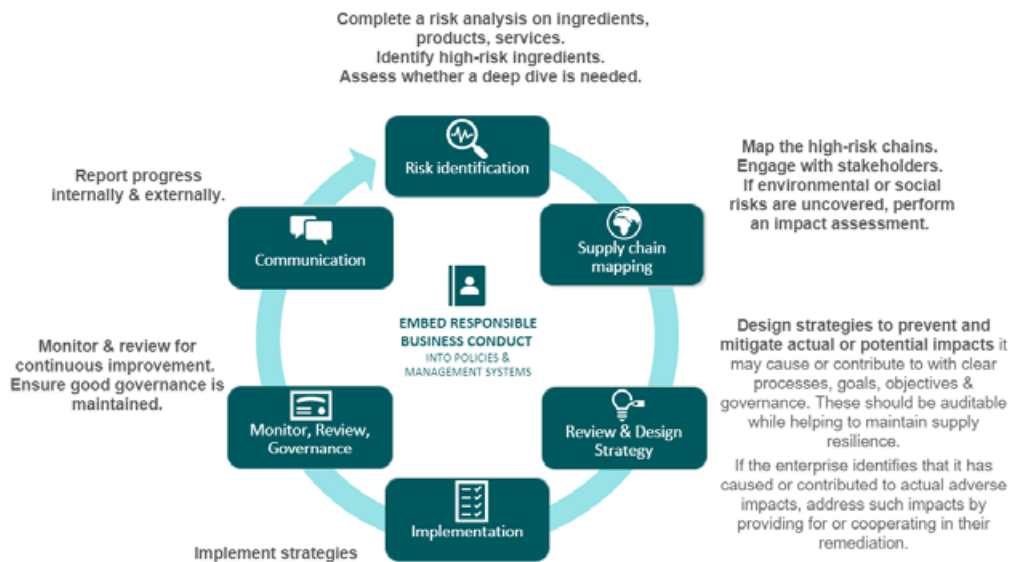
Source: Bateman, A., and Bonanni, L (HBR), 2019

¹⁶ Bateman, A., and Bonanni, L. (2019). What Supply Chain Transparency Really Means. Harvard Business Review.

2. Complete Due Diligence

Due diligence helps companies anticipate, prevent and mitigate against environmental, social and governance risks in supply chains. Effectively preventing adverse impacts may in turn help an enterprise maximise positive contributions to society, improve stakeholder relationships and protect its reputation.¹⁷

By analysing OECD¹⁸ guidelines and industry best practices, a due diligence approach has been developed to show the main steps that can be taken to undergo this process.



Source - Lynch & Comerford, 2021

3. Origin Green Alignment

Supply chain transparency is part of the Raw Material Sourcing scope of the Origin Green charters, falling into both the social and environmental pillars. High levels of transparency can help contribute to gold member status.

¹⁷ OECD. (2013). OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Second Edition. OECD Publishing.

¹⁸ OECD. (2018). OECD Due Diligence Guidance for Responsible Business Conduct. Retrieved from OECD: <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

Industry Best Practice

Brand Growth Through Responsible Sourcing

In 2006, the global consumer tea market was peaking as a highly competitive business. Tea had become commoditised, with consumers unable to differentiate between brands on quality or taste and so big brands were in a spiralling price war with prices half what they had been in the 1990s.¹⁹

In a unique move, Unilever committed to sourcing 100% sustainably grown tea, requiring training of smallholder farmers and increased costs. The proposal required months of convincing using three business model proposals:

1. **Ensuring supply** - For years, farmers had been intensifying production to increase yields to keep up with demand while combating increasingly low prices. This, combined with global warming production vulnerabilities, was a material issue for Unilever. There was a risk to future quantity and quality needed, which could not be solved without helping the tea-growers.
2. **Protecting Tea Brands** - reducing the risk of a mass media attack on the poor working conditions in tea supply chains.
3. **Sustainability would increase consumer demand.**

The project led to the training of half a million smallholder farmers on sustainable agriculture practices, with Unilever subsidising some additional investments or helping farmers access affordable finance.

Farmer benefits:

- Yield gains from 5-15%
- Improved tea quality
- Reduced operating costs
- Higher tea prices
- Average income increased by 10-15%
- Practices passed through generations.



source: <https://www.edie.net/>

¹⁹ Henderson, Rebecca. Reimagining Capitalism in a World on Fire. New York: PublicAffairs, 2020.

Unilever knew that customers would not change overnight to paying a premium for the new sustainable tea and so had to increase demand to cover the higher costs. This required talking to consumers, explaining the complex topic in language that was in-line with brand communications.

The **UK** did this brilliantly, where PG Tips competed with Tetley for top brand with both having a circa 25% market share. With the *Do your bit, put the kettle on* campaign, market share increased by 1.8pts while Tetley remained flat. Repeat purchase rates increased from 44% to 49% and sales increased by 6%. There was also a steady increase in the perception of PG Tips as an ethical brand. Similar results were seen in **Australia** (Sales increased by 11% and market share rose from 24.2 to 25.8%) and **Italy** (10.5% sales increase).



Source: Sustainly

The figures also suggest that Unilever broke even on investments in the first few years while simultaneously, significantly strengthening brands, ensuring a resilient supply and transforming the lives of hundreds of thousands of people.^{20 21}

²⁰ Henderson, Rebecca. *Reimagining Capitalism in a World on Fire*. New York: PublicAffairs, 2020.

²¹ Henderson, R., and Nellemann, F. (2012, November). *Sustainable Tea at Unilever*. Retrieved from Harvard Business School: http://blogs.ubc.ca/courseblogsis_abc_ba_504_001_2014w1-2_45258-sis_abc_ba_504_001_2014w1-2_45258/files/2015/08/Sustainable-Tea-at-Unilever.pdf

Transforming Transparency, Protecting Reputation

Oxfam’s 2018 [behind the barcode](#) campaign on Dutch retailers resulted in a poor performance for Albert Heijn. The following year, Albert Heijn published its human rights and due diligence policy²², a world first. It acknowledged that sole reliance on social audits and certifications is insufficient to protect human rights and committed to completing six impact assessments per year in supply chains where human rights are at risk. [Jumbo supermarket](#) and [Lidl](#) have now followed suit, publishing their own due-diligence policies.

Conversely, **M&S** commissioned **Oxfam** to undertake a collaborative review of their grocery and footwear supply chains, focusing on human rights and worker wellbeing. The assessment included over 400 interviews to better understand “the true worker experience” and identify changes needed in its own operations and those of suppliers. This type of analysis helps uncover some issues which are not often registered in audits due to worker fears.²³

Industry Collaboration

One solution that is helping accelerate change is the formation and combined power of industry groups. We see these addressing many different issues. Groups such as SAI Platform, Roundtables on specific ingredients, the Soy Transparency Coalition, the Business Benchmark on Farm Animal Welfare (BBFAW), Food Reform for Sustainability & Health (FRSH), and many more are working together for the overall benefit and indeed survival of their industry. These groups focus on ensuring transparency and collaboratively identifying solutions. The power of such coalitions comes through transparency and scale – no single company can tackle supply chain issues alone, collective industry solutions and coordinated action are key to positive transformation.

Example: National Collaboration Addressing Living Wage. In an industry first, [Dutch supermarkets](#) have joined forces to ensure a living wage for banana workers in the international production chain. The retailers’ five-year ambition is to reduce the gap between the current wage and the living wage for their entire banana assortment by at least 75%.



Source: IDH, 2019

²² Albert Heijn. (2019). Van de wereld voor de wereld. Retrieved from AHold: https://static.ahold.com/media/002099800/000/002099838_001_Albert_Heijn_Due_Diligence.pdf

²³ Oxfam. (2021, January 14). Working in Marks and Spencer’s Food and Footwear Supply Chains. Retrieved from Oxfam Policy and Practice: <https://policy-practice.oxfam.org/resources/working-in-marks-and-spencers-food-and-footwear-supply-chains-621145/>

Data & Technology

Technology is playing a huge role in gathering data on supply chains. Examples include:

Mars tracing its top 10 raw materials globally using Sourcemap which allows visualisation of its supply chains, tracking locations of all supply down to raw materials, and the social and environmental risks associated with those.²⁴

Sample Sourcemap Supplier Visualisation



Source: Sourcemap, 2021

This year, Ferrero announced that they are moving toward 100% satellite mapping of their palm oil supplies. They have partnered with Earthworm Foundation and Airbus to use a combination of satellite imagery and on-the-ground expertise to examine land cover change and forest cover disturbance. This will help identify where deforestation is happening, clearly pinpoint any grievances in the supply chain and allow the company to swiftly remedy these. Ferrero is among the first companies to use satellite monitoring across all its palm oil supply chain, accelerating its deforestation and exploitation-free commitment and demonstrating the new industry standard of transparency and accountability.²⁵

²⁴ Sourcemap. (2020, August 3). Interview with Luc Beerens, Global Sustainability Director at Mars Inc. [Customer Testimonial]. Retrieved from Sourcemap: <https://www.sourcemap.com/blog/2020/8/3/interview-with-luc-beerens-global-sustainability-director-at-mars-inc>

²⁵ Confectionery Production. (2021, February 4). Ferrero moves towards 100% satellite mapping of palm oil supplies. Retrieved from <https://www.confectioneryproduction.com/news/33451/ferrero-moves-towards-100-satellite-mapping-of-palm-oil-supplies/>

Key Takeaways

1. Supply chain transparency is essential to recognise the impacts that the ingredients and materials we buy have on society and the environment through deforestation, water stress, forced labour practices, income issues, and so forth.
2. For any company that wants to improve supply chain transparency, data is a good place to start. CDP, the global disclosure NGO, noted in their 2019 report about its Supply Chain Program, which facilitates carbon emission transparency that, “as suppliers become more mature in their understanding of sustainability issues and advance their approaches for taking action, there is evidence that they too are improving their efforts to cascade positive change downwards through their own supply chains.” The Harvard Business Review independently notes that this improvement is because company disclosures now influence how corporations’ contract with [suppliers](#).
3. Companies have a duty to carry out supply chain due diligence, while the case studies highlight that it also makes business sense. Tackling problems around people and planet in supply chains builds resilience and helps ensure continuous supply. Regulations also making this a ‘license to operate.’
4. Lastly, many reports highlight that employees favour working for purpose-led companies that are leading in sustainability, which helps attract top talent and enhance employee engagement. Addressing sustainability through supply chain transparency boosts relationships with external stakeholders, brand image, and consequently enhances the overall business.



source: <https://coolchoices.com/blog/sustainability-employee-perspective/>

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