



SUSTAINABLE SOURCING

FIVE STEPS TOWARDS MANAGING
SUPPLY CHAIN RISK

Food and Drink
Federation



Delivering Sustainable Growth

WHY SUSTAINABLE SOURCING MATTERS

The global food system is coming under increasing pressure from the impacts of climate change, population increase, a growing demand for limited resources and changing diets. Consumers are also increasingly seeking reassurance that businesses are managing their supply chains sustainably. There is therefore a growing realisation across food and drink companies that building a secure and sustainable supply chain not only makes good business sense but also has the potential to bring with it a number of benefits for a company that is seen to be acting in line with wider stakeholder and societal interests.

Moreover building a more resilient supply chain will bring competitive advantage by managing the impact of change better, it will stimulate innovation, increase productivity and will meet customer demands.

This simple guide, developed by FDF's Sustainability Steering Group, sets out a step-by-step process to help food and drink manufacturing businesses of all sizes to get started on this journey. It aims to help identify, prioritise and manage upstream supply chain risks as part of a more strategic approach towards supply chain sustainability.

Alongside this guide, further resources are also available on the FDF website:

www.fdf.org.uk/sustainable-sourcing

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MAP YOUR SUPPLY CHAIN

COLLECT INFORMATION TO DESCRIBE YOUR SUPPLY CHAIN ON A PRODUCT BASIS

QUESTIONS TO CONSIDER:

- What is required to produce the product, e.g. raw ingredients, water, energy, packaging, transport, etc?
- Who are your immediate suppliers?
- Who supplies them? Think about suppliers all the way back to source
- From which countries are key resources sourced and what do you know about them? e.g. are there any geopolitical issues?
- What amounts are being sourced?
- What are the largest resources in terms of expenditure and/or volume?

GETTING STARTED:

- Use expertise from both within your business and outside, such as your trade association to help gather the relevant information
- Start by mapping major product categories e.g. those that are most critical and/or account for the largest expenditure
- Gather information from suppliers to identify those who are of most strategic importance e.g. via questionnaire
- Create a visual and statistical map of your product supply chain

KEY OUTCOME:

SUPPLY CHAIN MAP

Further information: www.fdf.org.uk/sustainable-sourcing

2 IDENTIFY IMPACTS, RISKS & OPPORTUNITIES

UNDERSTAND THE KEY RISKS AND OPPORTUNITIES IN YOUR SUPPLY CHAIN WHICH MAY IMPACT ON BUSINESS RESILIENCE

QUESTIONS TO CONSIDER:

- Is anything that you are sourcing in short supply and/or the subject of media or other concern?
- Which of your suppliers are key? Are there alternative suppliers you could use?
- What are the risks to your business continuity, integrity, market presence, and reputation?
- Are there possibilities to do things differently?
- Can you identify any other changes that will provide opportunities?

GETTING STARTED:

- Make sure you are aware of the main environmental, social and economic impacts associated with food and drink production
- Identify resources that have 'hot' sustainability impacts e.g. from environmentally sensitive areas, targeted by NGOs/government as high risk, limited supply due to unique cultivation
- Conduct scenario planning: consider the risk if certain resources were not available, what would substitute, what are the costs and/or volumes available?
- Gather information from suppliers on identified supply chain risks and potential opportunities, including whether they have action plans in place

KEY OUTCOME:

UNDERSTANDING KEY RISKS AND OPPORTUNITIES

Further information: www.fdf.org.uk/sustainable-sourcing

3 ASSESS AND PRIORITISE YOUR FINDINGS

ANALYSE HOW YOUR BUSINESS CAN MANAGE RESILIENCE- RELATED RISKS AND TAKE ADVANTAGE OF OPPORTUNITIES

QUESTIONS TO CONSIDER:

- What are your key risks and who are the associated suppliers?
- Are these direct or indirect suppliers?
- To what extent can your business influence these suppliers, how could this be done e.g. partnerships, contract conditions, and what would happen to them if this supply no longer existed?
- Which of the opportunities identified have the potential to provide the greatest benefit?

GETTING STARTED:

- Seek input from your marketing, procurement and regulatory/technical teams to help assess the key risks and potential opportunities
- To help assess risks research external sources of information, e.g. your trade association
- Create a risk matrix e.g. timeline, importance to stakeholders, ability to impact business operations/longevity, to help with prioritisation
- Assess where your business can have most influence, what is material, and relevant?

KEY OUTCOME:

IMPROVED KNOWLEDGE ON HOW TO MANAGE RISKS AND OPPORTUNITIES

Further information: www.fdf.org.uk/sustainable-sourcing

4

CREATE A PLAN OF ACTION

DEFINE A SET OF ACTIONS TO REFLECT THE RISK AND PRIORITISE OPPORTUNITIES ALREADY ESTABLISHED

QUESTIONS TO CONSIDER:

- What measures are feasible to address the priority risks and opportunities?
- Who is responsible for delivering the different parts of the plan?
- What tools are available to help you?
- How can you get support from senior management to address these actions and incorporate into company strategy?
- How best can you involve your suppliers?

GETTING STARTED:

- Consider devising measurable performance indicators along with improvement targets for suppliers and a Code of Practice for new suppliers where appropriate
- Set up internal communications to explain why you are doing this and what is expected of colleagues
- Set up meetings with suppliers about the risks and opportunities you have prioritised, and explain what you would like to achieve
- Devise incentives for bringing your suppliers on board, e.g. increased business, contributing to costs of improvement
- Identify how best to gain interest from senior management and seek formal sign-off of the company's strategy. Consider using external expertise, particularly to address risks where you have no immediate solution

KEY OUTCOME:

ACTION PLAN BASED ON KEY RISKS AND OPPORTUNITIES

Further information: www.fdf.org.uk/sustainable-sourcing

5 IMPLEMENT, TRACK, REVIEW & COMMUNICATE

ENSURE ACTION IS TAKEN, PROGRESS TRACKED, AND COMMUNICATED

QUESTIONS TO CONSIDER:

- What is required to implement the action plan with suppliers?
- Do your suppliers need on-going support to improve performance?
- How best can you measure and report progress to senior management and across the broader organisation?
- What are the opportunities for wider communication and publicity of achievements e.g. company reports, trade associations, press releases, etc?

GETTING STARTED:

- Consider integrating relevant parts of the action plan into suppliers' contracts
- Agree a timetable for reviewing the action plan and regularly check it is on track
- Make sure all employees involved have the support and resources they need e.g. consider any company training needs
- Consider broader internal communication and opportunities for external communications to enhance transparency and support
- Think of all five steps as a cyclical process that needs to be reviewed and repeated on a regular basis to ensure it remains current
- Implement the lessons learnt back into business operations e.g. for new product design

KEY OUTCOME:

FULLY IMPLEMENTED ACTION PLAN INTEGRATED INTO THE BUSINESS

Further information: www.fdf.org.uk/sustainable-sourcing

HELP FOR SMALL BUSINESSES

IF YOU ARE A SMALLER BUSINESS
AND DON'T KNOW WHERE TO
START, TRY ANSWERING A FEW
BASIC QUESTIONS FIRST.

- What are your key raw materials?
- Where do they come from?
- How secure is that supply?
- What would you do if it fails?

ABOVE ALL THINK RISK
AND PLAN AHEAD!

For further information,
visit the FDF website at:
www.fdf.org.uk/sustainable-sourcing

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THE BUSINESS CASE FOR SUSTAINABILITY: **CREATING LONG-TERM VALUE**

- Mitigates risk of limited resources
- Increases resilience to future environmental, social and economic impacts
- Simplifies compliance
- Delivers bottom line benefits from improved resource efficiency
- Improves business reputation
- Builds trust around your products
- Increases competitive advantage
- Stimulates innovation







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