



**TRADE
INTERCHANGE**
Smarter Supplier Management

ARCUS[®]
Supplier Management Software



THE GREEN APPEAL

TRADE INTERCHANGE REPORT: SUSTAINABILITY

*The rise of the conscious consumer and what
it means for the food and drink industry*

WHITE PAPER
MAY 2022

Understanding the **BIGGER PICTURE**

What is sustainability?

Traditionally sustainability has been linked with ethical sourcing and work practices, but the concept has now evolved to encompass every aspect of a product's journey to market and beyond.

The reason for this is straightforward: our planet is struggling to cope with the number of humans inhabiting it, leading to ever-increasing demands on our finite water and energy supplies and damaging pollution from untenable production methods and waste.

Therefore, the sustainability of organisations isn't a choice anymore. It's a need.

The world has come to the realisation that we must act now to save our planet; this means organisations need to invest in more sustainable practices, to achieve set targets.

According to the Food and Drink Federation (FDF) Handbook to net-zero¹:



UK ingredients contribute to 32% of emissions in the UK Food and Beverage Sector, including live-stock emissions, farm management and more.



Imports contribute to 33% emissions in the UK Food and Beverage Sector, including the production and packaging and transport of imported ingredients and finished products.

Consequently, countries across the world signed up to the Paris Agreement, to help halt global warming. Therefore, if companies aren't making the necessary moves to adjust their approaches to sustainability, then the UK potentially won't be able to achieve the targets of the Paris Agreement, that were reiterated during COP26 that took place in late 2021. If countries don't meet their goals, then we are risking the world's temperature rising by 2 degrees celsius, which will cause irrevorable damage to the planet.

Sustainability: the stats

Food demand is expected to increase to meet the needs of a 9.7 billion global population by 2050⁷. According to the Natural History Museum website, a third of the world's soil is already degraded², and according to the government website, summer rainfall is expected to decrease by 15% by 2050, and the result of less predictable rainfall will lead to increase droughts and possible water shortages in the UK³. A survey⁴ of the world's 500 largest cities predicts that one in four of us is likely to experience a lack of water as early as 2025 – including London – making it a truly global problem.



1 in 4

of us is likely to experience a lack of water in as early as 2025⁴

The target is to limit global warming to 1.5 degrees Celsius.

However, this cannot be done without companies taking an in-depth look at their supply chains and reducing their carbon footprint to a significant degree, since the supply chains of the UK's largest members of the food and beverage industry are responsible for a large proportion of emissions.

According to information by WRAP cited in FDF's handbook to net-zero summary,

the UK's Food and beverage sector was responsible for 165 million tonnes of carbon emissions in 2019, and this is about 17% of the UK's Carbon footprint¹.

Many companies have targets to achieve net-zero by 2050, as the UK is legally bound to achieve this in-line with the Paris Agreement, but this cannot be done without a significant overhaul of how companies approach their sustainable practices.



Disclosure and Reporting

Due to the concrete nature of the targets that were set out as part of COP26 and the Paris Agreement, reporting is becoming an important part of many company journeys to achieving their net-zero targets, maintaining a reputation as a sustainable company, and increasing their transparency. If companies have transparency regarding their sustainability efforts, then consumers and stakeholders are more likely to have trust in the company, because they are open about their efforts, and less likely to be 'greenwashing.'

Companies have signed up to the Science Based Targets initiative, and set targets with this in mind. Currently, over 2,000 companies are currently working

with this organisation.

A Science Based Target is a sustainability target that is in line with the goals set out by the Paris Agreement. If a company meets a Science Based Target, they know they are doing their part in achieving this goal. The Science Based Targets initiative helps companies to develop, communicate and disclose information surrounding their sustainable efforts.

Many food and beverage companies who have signed up to the Science Based Targets initiative have also signed up for the 'race-to-zero', where companies have committed to achieving net-zero targets long before the deadline set by the Paris Agreement.



The Carbon Disclosure Project (CDP)

Companies are looking to alter their practices to enhance the level of transparency between them and their suppliers. Many companies are increasing transparency surrounding their current emissions, and reporting to the CDP.

The CDP offers a global disclosure system where companies can report their emissions. This provides the transparency that companies need to be able to reduce any emissions that are indirectly caused by the company. The company have this dataset, which is available for other companies to view, and this further enhances trust in the company because they are willing to be open about their activities. The CDP is one key platform for reporting emissions data, but there are other initiatives where companies can report comprehensively across their Environmental, Social and Governance (ESG) activities.

Sustainability challenges in the **SUPPLY CHAIN**

Although greenhouse gas emissions are a key concern in the food and drink supply chain, other important sustainability issues include:



WATER SHORTAGES

Agriculture requires around **70%** of the world's, already limited, clean water supply



LAND DEGRADATION

Billions of tonnes of fertile soil is lost each year through poor and high-intensity farming



DEFORESTATION

Non-sustainable palm oil and livestock grazing are the biggest culprits of unsustainable land clearing



EMISSIONS

Global food waste emissions equate almost exactly with those given off by road transportation



LAND AND WATER POLLUTION

The use of pesticides can erode soil and impact local water quality through drainage or surface run-off



LIVESTOCK

A large proportion of the crops grown go to feeding the world's enormous appetite for meat



ENERGY CONSUMPTION

Food and drink production makes the industry one of the biggest energy users



CONSUMER DEMAND

The world's rapidly growing population is putting pressure on manufacturers to produce more food



PACKAGING WASTE

Single-use plastics such as coffee cups, bottles and straws typically end up in landfill or sea, posing an environmental hazard



FOOD WASTE

One-third of all the food produced in the world for human consumption never reaches the table, representing a wasted effort of resources and generating harmful gases

The rise of the **CONSCIOUS CONSUMER**

Turn the tide before it's too late

In what is popularly dubbed the 'Blue Planet' effect after Sir David Attenborough's ground-breaking BBC series, the image of plastic floating in our oceans has permeated our living rooms, putting more pressure than ever before on manufacturers and suppliers to help turn the tide before it is too late.

Evidence also shows that consumers are becoming increasingly concerned about the effect that poor sustainability practices could ultimately have on our collective health. This was powerfully highlighted in 2018, when a Sky News report caused consternation with the claim that a single oyster now contains an average 8.3 micro pieces of plastic⁵. Inevitably, such revelations have led to an increased emphasis on 'farm to fork' transparency, with consumers going the extra mile to not only find out where their food has come from, but also what it contains.

The rise of the conscious consumer can also be demonstrated in the habits that users are adopting within their households and own practices. According to a study by Deloitte⁶ 61% of participants said they have cut back on single-use plastics, whilst 45% said they focused on buying more seasonal goods. Whilst 44% value waste reduction and 43% value products with sustainable packaging and circular economies, it is evident that consumers are interested in revising their approaches to sustainability, however, 46% believe that more clarity on the origins or sourcing of products would help them to adopt more sustainable practices, meaning that consumers are searching for transparency between company and consumer.

In an article by Forbes⁸, 68% of the more highly empowered consumers plan to increase their efforts to identify brands which reduce environmental impact.



Sustainability in practice

Some of the world's top food and drink brands are busy focusing their efforts on achieving transparent supply chains that fully demonstrate their sustainability credentials and accountability to both consumers and industry. Starbucks launched the circular cup in August 2020, which is a reusable coffee cup made from 6 single-use cups¹⁶. The Kellogg Company, Nestlé, and Tesco¹⁸ are members of the Global Consumer Goods Forum, who are the founders of the Sustainable Supply Chain Initiative (SSCI). In May 2021, the initiative opened its benchmark for social compliance schemes in fishing, agriculture and aquaculture sectors¹⁷.

Consumer demand and legislative requirements notwithstanding, food and drink manufacturers and suppliers also face increased pressure from industry-focused groups to align themselves with better sustainability practices.

McDonald's have placed an effort into enhancing product circularity by focusing on sustainable agriculture, and working with experts to enhance research in this area, with the intention of finding sustainable solutions to beef production²⁰.

To further evidence their commitment to this cause, McDonald's co-founded the Global Roundtable for Sustainable Beef (GRSB) in 2011 to help enhance progress in sustainable beef production.



33% of food produced never reaches the table, and is wasted²²

70% of the global water supply is used for Agriculture²¹

Challenges and SOLUTIONS

Consumer demand and legislative requirements notwithstanding, food and drink manufacturers and suppliers also face increased pressure from industry-focused groups to align themselves with better sustainability practices.

Voluntary action frameworks such as those implemented by WRAP (the government's Defra-funded Waste & Resources Action Programme) are becoming an everyday part of doing business, complementing other incentive schemes such as the ECA (Enhanced Capital Allowance) for energy-saving technologies, such as electric cars, or cars with zero emissions¹⁹.

WRAP⁹ Initiatives include:

- Courtauld Commitment Water Ambition 2025 – aims to decrease water usage by 20% (and joins the existing Courtauld Commitment 2025 targeting a list of farm to fork measures)
- The UK Plastics Pact – 2025 targets include making plastic 100% reusable, recyclable and compostable
- Food Waste Reduction Roadmap – introducing better reporting measures to reduce food waste

Other initiatives for sustainability include:

- The Paris Agreement – countries agreeing to limit global warming to 1.5 degrees Celsius
- The Carbon Disclosure Project – a non-profit that encourages companies to disclose their current carbon footprint
- Science Based Targets initiative – Initiative where companies are encouraged to set targets in-line with the Paris Agreement
- Race-to-zero – Initiative where companies pledge to become net-zero long before the deadline set by the Paris Agreement
- Sustainable Supply Chain Initiative (SSCI) - aims to support companies in achieving supply chain due diligence by offering guidance as to which certifications and schemes fulfil company sustainability goals



Courtauld Commitment Water Ambition 2025 – aims to decrease water usage by 20%



The UK Plastics Pact – 2025 targets include making plastic 100% reusable, recyclable and compostable

What are companies doing?

Companies across numerous industries have started to take action, since the world is in a state of climate emergency, and are setting targets to do their part to combat this. Carlsberg, Compass Group and Glanbia PLC, for example, are amongst companies who have signed up for the Science Based Targets initiative, to demonstrate that they intend to achieve targets in-line with the Paris Agreement¹⁵.



The importance of supply chains

Supply chains are likely to hold the biggest opportunities for breakthroughs in sustainability performance, and reduction in carbon emissions. According to McKinsey & Company¹⁴ between 80 and 90% of greenhouse gas emissions for a product are scope 3 emissions which occur across a company's value chain. According to a 2021 LinkedIn article¹⁰,

Supply chains are responsible for 60% of the world's carbon emissions and produces over 5.5 times more greenhouse gases than the company's operations alone. It's clear then that companies must improve their processes in order to better monitor the efforts of those in a supply chain – rather than simply contenting themselves with adopting best practice measures in-house.

The **ROLE OF TECHNOLOGY**

Although some companies readily acknowledge the need for sustainability within their supply chain and claim they are taking steps towards it, many admit they continue to lack the visibility on how green their suppliers actually are. According to research by Zippia¹¹, 69% of companies do not have full visibility across their supply chain.

Equally worrying is the existence of 'greenwashing.' This is a phenomenon that could lead to inadvertent failures elsewhere in the supply chain without an adequate system in place to monitor and verify any sustainability claims. The introduction of the 'Green Claims' Code¹² in September 2021 was intended to help combat this phenomenon and reduce its occurrence, so any issues surrounding sustainability can be tackled.

However, if the company isn't monitoring the claims of their suppliers, then they can't be sure that the suppliers aren't greenwashing.

According to GEODIS research cited in the sourcing journal¹³, 62% of companies have limited visibility of their supply chain, and 17% only have visibility on production beyond Tier 1 – this means that companies are exposing themselves to risk, and achieving sustainability targets can be more challenging. The importance of achieving sustainability goals in actuality, as opposed to simply thinking that these have been achieved.

It's clear that maintaining supplier information is essential to unlocking sustainability goals – enabling operators across the food and drink industry to maintain the required levels of transparency between suppliers big and small, and in even the most remote locations. Only once this is achieved, can we truly expect everyone to live up to the promises that our planet truly deserves.



About ARCUS® SIM

ARCUS® Supplier Information Management (SIM) allows you to efficiently on-board environmental information from your suppliers, significantly increasing your level of transparency with your suppliers, so you can ensure they align with your values and targets. Our configurable questionnaire templates are used to ensure you are collecting all the environmental information that you need from your suppliers.

The information is automatically authenticated when supplier supporting documentation is scanned and verified at the point of upload through Artificial Intelligence, eliminating the need to complete time-consuming, manual checks. Additionally, you will have full confidence that due diligence has been undertaken in your processes, which drastically minimises any risk factors. Using configurable workflows, tasks are automatically sent to the correct personnel for their approval, enhancing efficiency and saving time in the workplace.

By integrating with various other systems across environmental activities, data is centralised within ARCUS® directly from the original source, which removes data silos and provides you with the ability to view information within a real-time dashboard. This offers a comprehensive visual oversight of environmental activities across your supply base, making it easy to identify any risk areas, so swift action can be taken, and problems are avoided before they occur.

Integrations include:

- BRCGS
- FSSC22000
- Human Rights Index
- Red Tractor
- RSPO
- Corruption Index
- Soil Association
- Dun & Bradstreet

About Trade Interchange

At Trade Interchange, we help organisations reduce the costs, risks and complexities associated with managing a large amount of supplier information.

Our solutions support a range of supplier management activities: from initial tenders and supplier information management, through to supplier contract and performance management.

Gain greater transparency today with ARCUS® SIM.

To find out more visit www.tradeinterchange.co.uk or call 0333 320 9933

Driving **BEST PRACTICE**

Mike Edmunds, Trade Interchange's co-founder and managing director, explains why cutting-edge technology holds the key to achieving sustainable practices

Ensuring your suppliers align with your own targets is no easy task, particularly within the food and drink industry, where supply chains are typically spread across the globe and often rely on paper-based records.

With consumers more concerned than ever before about the health and future of our planet, the burden is now firmly on everyone to prove their sustainability credentials. It's fair to say the stakes have never been higher, with brands that fail to live up to these expectations rarely getting a second chance with consumers.

Relying on others within the supply chain to simply do the right thing is no longer enough and puts your business at increased risk from a number of factors, including the so-called 'greenwashing' phenomenon, where sustainability measures are exaggerated; as well as outdated information and the possibility of human error.

Protecting your business does not have to be difficult – by using the right tools you can build a true and ongoing picture of your supply chain.

Trade Interchange's ARCUS® SIM software provides users with tailored questionnaires which can be stored centrally in the cloud.

This is used alongside other supporting documents and data to reflect individual performances across the sustainability spectrum, which allows you to increase visibility with your suppliers and ensure they align with your values across numerous areas, including carbon emissions, sustainable palm oil practices, energy consumption, wastage and other priorities.

Scoring and keywords can be assigned to various questions, offering individual companies the opportunity to rate and track their priorities.

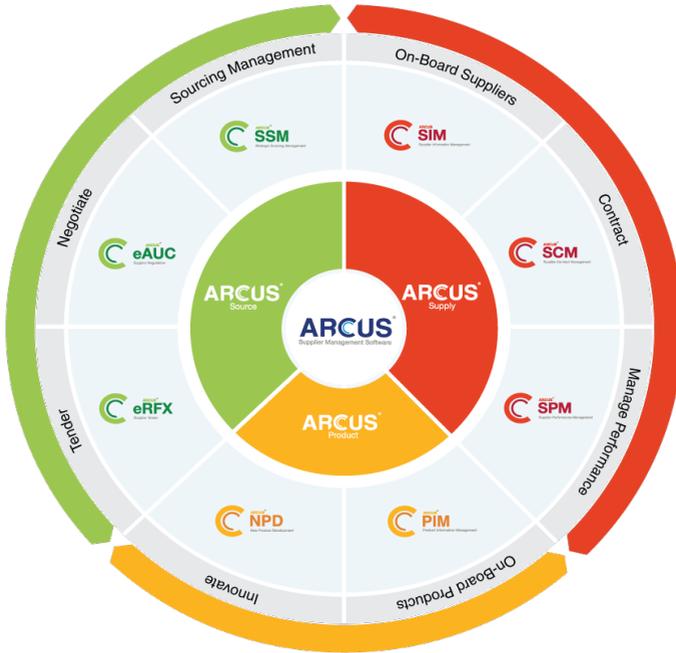
Manufacturing Site Audit, and Manufacturing Site Information plug-ins are all available, enabling businesses to mark each step in the sustainability journey and better manage the associated risks.

Using Power BI dashboards, information can be accessed and updated in real-time – offering you a visual overview of supplier information, to more easily identify when suppliers aren't compliant, so actions can be taken to solve these issues. Through the native API, data can be centralised within ARCUS® from the original source of information, reducing risk of rekeying errors and enhancing confidence in your supplier data.



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