



BUILDING SUSTAINABLE SUPPLY CHAINS

SOURCING RESPONSIBLY TO MANAGE
SUPPLY CHAIN RISKS, PROTECT SECURITY OF SUPPLY
AND ENHANCE BRAND REPUTATION



CONTROLLING SUPPLY CHAIN RISKS

WHY IS IT SO IMPORTANT?

Agriculture and food face significant global challenges.

Climate change, population growth and shifts in dietary patterns are impacting global issues such as resource availability, biodiversity, political stability, migration patterns and human health.

These risks are dynamic, complex and interconnected and they go to the foundation of all food businesses – potentially threatening the security or supply of raw materials and the reputation of brands. How a business responds to these challenges and, importantly, how consumers and the media perceive its response, will determine whether it succeeds or fails.

Managing these **food security** and **brand reputation** risks requires the right strategies and policies, a clear understanding of supply chains and the ability to positively influence them – whether to ensure improvements to the environment, ethical treatment of labor, good animal welfare practice or sourcing of key raw materials to meet the long-term demands of the business. These interventions can not only reduce risk to the business, but may also create significant opportunities to differentiate the brand and sustain competitive advantage.

Building sustainable, secure supply chains and demonstrating responsibility in sourcing and manufacturing are now critical for the future of food businesses.



CASE STUDY: LARGE HOTEL, RESTAURANT AND COFFEE SHOP OPERATOR VERIFIES SUPPLIERS' SOCIAL COMPLIANCE

CHALLENGE: A hotel, restaurant and coffee shop operator is developing an evidence-based supplier sustainability questionnaire to recognize and control sourcing risks in its supply chains.

SOLUTION: NSF will provide sustainability strategic consulting in the form of technical infrastructure, resource and quality management services as well as third-party sustainability auditing, which enables the client to:

- Validate evidence from the questionnaire
- Follow up on any issues or intelligence arising from the risk assessment
- Conduct investigations into high-risk rated suppliers
- Verify its suppliers through social audits (SMETA)
- Ensure that suppliers flagged as high risk in the sustainability questionnaire are working toward the company's required social compliance standards and systems.

THE 5 PILLARS OF SUSTAINABLE SUPPLY CHAINS

Sustainable supply chains are those that consistently demonstrate transparency, resilience, social & ethical responsibility, environmental stewardship and economic sustainability. All stakeholders must understand and apply these pillars for supply chain success.

TRANSPARENCY

Consumers, governments, and companies are demanding details on supply chains. Farsighted organizations are directly addressing new threats and opportunities presented by the question, "Where does this stuff come from?"



RESILIENCE

Changing business practices can build resilience into a food supply chain, reducing exposure to damaging events and contributing to long-term commercial viability and security of supply.



SOCIAL & ETHICAL RESPONSIBILITY

Socially responsible sourcing is one of the key practices contributing to sustainable supply chains, ensuring the interests of clients, stakeholders, consumers and society are met.



ENVIRONMENTAL STEWARDSHIP

By examining the availability of resources required to make their products as well as the impact their products and practices have on the environment, companies can improve practices while reducing their exposure to risk.



ECONOMIC SUSTAINABILITY

Efficient strategies to develop responsible supply chains create opportunities for continuous improvement and ensure sustainable supply chains function profitably over time.



A CONSULTING-LED APPROACH TO RESPONSIBLE SOURCING

Every business is unique and global challenges will impact supply chains in different ways. NSF's consulting-led approach helps you build sustainable supply chains appropriate to your needs, through a process that considers:

- > The raw materials your business sources
- > The complexity of your supply chains
- > Responsible sourcing priorities
- > Progress made toward public commitments, CSR or corporate strategy
- > Your organization's level of internal understanding and commitment to sustainable sourcing
- > Key stakeholder relationships and partnerships
- > How others, including competitors, have approached a similar challenge



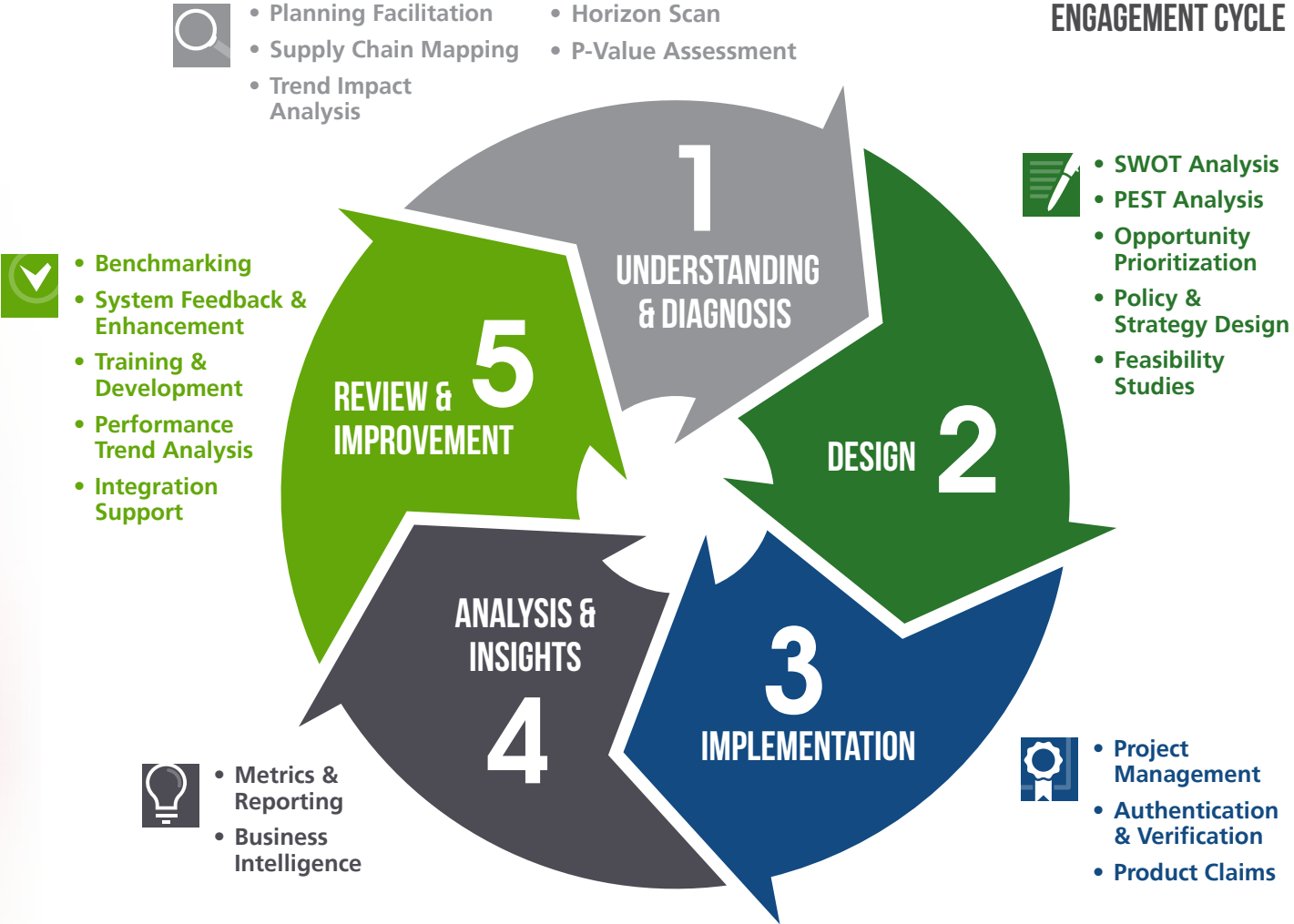
CASE STUDY: FOOD RETAILER ASSESSES ANIMAL WELFARE ACROSS KEY LIVESTOCK SUPPLY CHAINS

CHALLENGE: A food retailer wanted to assess animal welfare issues across its key livestock supply chains.

SOLUTION: NSF is providing independent animal welfare inspection services as well as supply chain analysis, research and development, business intelligence and project management, helping the client to:

- Capture and validate welfare data from 15+ livestock and aquaculture types across 1,000+ farms in 20+ countries worldwide every year
- Gain insight on sourcing risks in specific raw material supply chains
- Shape its own research and development strategy
- Identify public research and development grant funding
- Connect with key stakeholders in the grant funding process
- Manage all aspects of the project

SUPPLY CHAIN SUSTAINABILITY ENGAGEMENT CYCLE



CASE STUDY: OUTDOOR GOODS RETAILER LEADS CREATION OF TRACEABLE DOWN STANDARD

CHALLENGE: A leading outdoor goods manufacturer and retailer approached NSF to facilitate a consensus-based process to refine an internal standard, with a commitment to expanding animal welfare and 100 percent traceable down, into a consensus global down standard.

SOLUTION: NSF facilitated development of the Global Traceable Down Standard in partnership with industry stakeholders including down processors, manufacturers, retailers, animal welfare groups and trade associations.

- On-site audits verify that treatment of geese meets the rigorous requirements of the standard, including no force feeding or live plucking, from parent farm to slaughterhouse.
- The standards extends protection to geese on parent farms where animals typically live for four or more years and would be at greatest risk for live plucking.
- On-site audits at all locations from parent farm to final manufacture ensure the compliant down and feather material is fully documented as the only material used in finished, certified goods.
- All organizations handling the down are audited and verified to keep the certified down segregated from conventionally-sourced down.
- This standard is now fully implemented across more than 200 sites and represents the Independent Global Traceable Down Standard’s highest tier.

RESPONSIBLE SOURCING: SOLUTIONS AND SERVICES

1. UNDERSTANDING & DIAGNOSIS

Planning Facilitation

Enables intensive discussion and activity regarding a client's responsible sourcing efforts, including how to ensure the client improves on their performance within manageable levels of risk and resources.

Policy and Strategy Development

Increases supply chain transparency, knowledge and understanding.

Gap Analysis

Compares actual performance in responsible sourcing with potential or desired performance.

Trend Impact Analysis for Supply Chains

Systematically examines the effects of possible future events by extrapolating historical data. The events can include technological, political, social, economic and value-oriented changes with respect to business risk.

Horizon Scan

Detects early signs of potentially important developments through systematic examination of potential threats and opportunities. With emphasis on technological developments, unexpected issues as well as changes in past assumptions regarding persistent problems and trends.

P-Value Assessment

Assesses probability as a percentage risk of a fault at one end of a supply chain becoming or escalating into a problem at the other.

2. DESIGN

SWOT Analysis

Identifies both internal and external influences to help organizations develop a full awareness of all the factors involved in proposed new responsible sourcing initiatives and policies as a precursor to these efforts.

PEST Analysis

Focuses on external environmental factors affecting a client by exploring political, economic, social and technological influences on their supply chain. Performing a thorough PEST analysis helps companies analyze the threats section in SWOT.

Opportunity Prioritization

Determines the relative opportunity cost, potential impact, and relative importance of a diverse array of options with when there are multiple criteria for determining importance to improve supply chain sustainability.

Policy and Strategy Design

Provides development of sustainable sourcing strategies, policies, and internal governance policies.



Feasibility Studies

Analyzes how successfully a proposed project can be completed, accounting for economic, technological, legal and scheduling factors to determine if it is technically feasible, within estimated cost, and will be profitable.

3. IMPLEMENTATION

Project Management

Oversees implementation of a client's responsible sourcing strategy, or aspects of that strategy.

Authentication and Verification

Audits recognized sustainable sourcing standards including animal welfare, environmental best practices, and social compliance.

Product Claims

Provides standard and custom certification and auditing programs for supply chains and raw materials, with technical development of assurance programs across areas such as food safety, quality and sustainable sourcing risk management.

4. ANALYSIS & INSIGHTS

Metrics and Reporting

Utilizes data collection and interpretation of responsible sourcing performance metrics to assess program success and prescribe changes if necessary.

Business Intelligence

Analyzes large data sets to optimize opportunities for competitive advantage.

5. REVIEW & IMPROVEMENT

Benchmarking

Compares client responsible sourcing processes and performance metrics to industry best practices and best practices from other companies.

System Feedback and Enhancement

Analyzes responsible sourcing practices and identifies opportunities for continuous improvement and optimization.

Training and Development

Provides platforms to share knowledge, build relationships and challenge thinking.

Performance Trend Analysis

Observes how client performance has developed over time, and predicts how it is likely to develop in the future.

Integration Support

Facilitates alignment of responsible sourcing efforts with overall business strategy, including marketing achievements.

CASE STUDY:

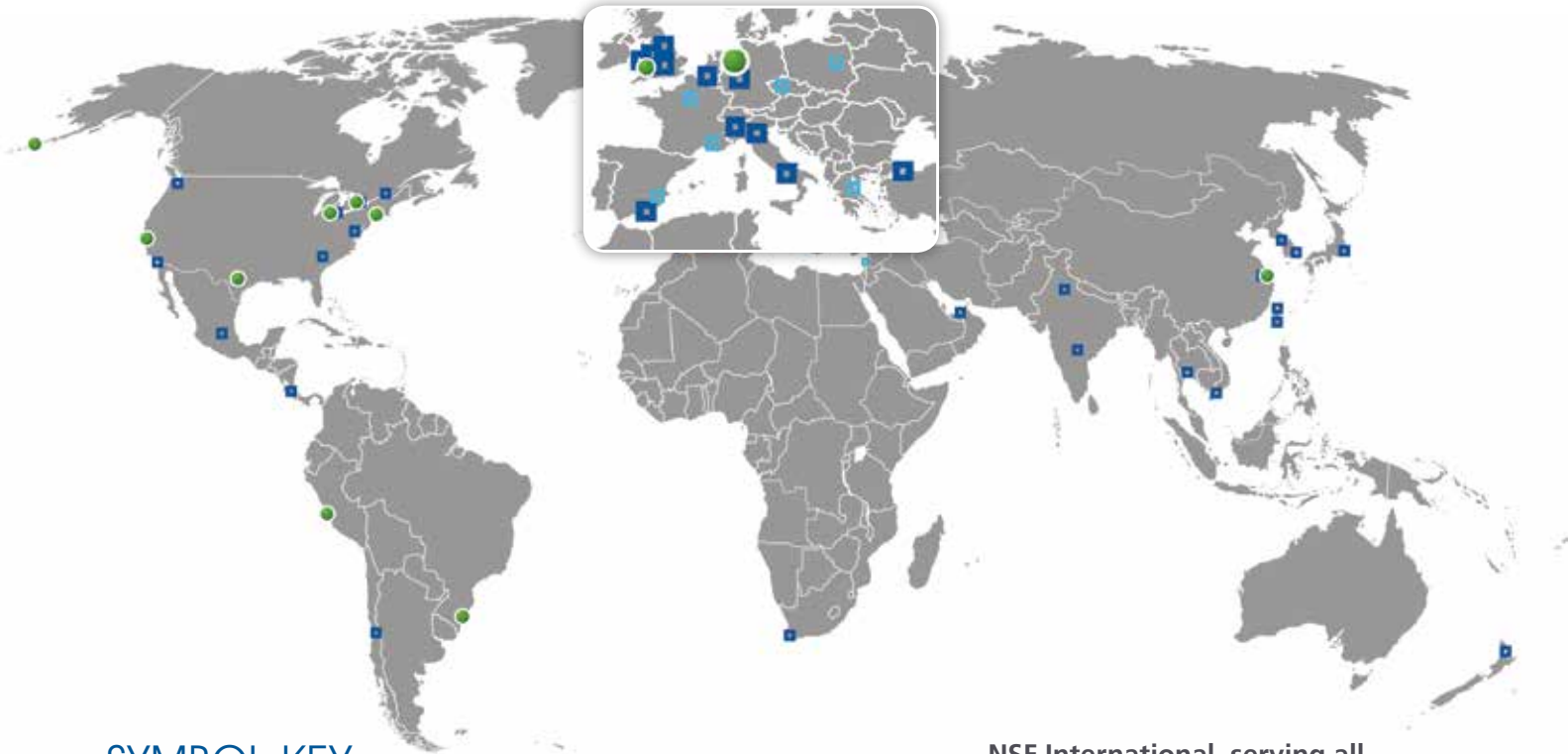
LEADING EUROPEAN RETAILER DEVELOPS A RESPONSIBLE SOURCING ROADMAP

CHALLENGE: A leading European retailer with global supply chains, is undertaking a project to enable the business to establish and roadmap its quality and responsible sourcing objectives for 2020 and beyond.

SOLUTION: NSF is providing sustainability strategic consulting in the form of colleague interviews, to better understand the level of internal commitment to sustainable sourcing and how current culture and governance procedures help the business achieve targets.

The insights from these interviews have been provided in a custom management report with additional consultancy recommending key areas for further exploration - including areas that impact policy and strategy development and assist the business in identifying the key risks and priorities associated with quality and responsible sourcing. The tools and services that NSF provide will enable the business to reduce the impacts these risks could have on their own operations, improving internal culture and governance procedures, meeting their customers' expectations and delivering commercially competitive advantage for the range of products they sell.

NSF INTERNATIONAL LOCATIONS



SYMBOL KEY

- NSF Office & Laboratory
- NSF Office
- NSF Partner



NSF International is a global public health organization that operates in more than 150 countries, with worldwide laboratory testing facilities, and expert resources across a wide range of professional fields including health sciences, IT, food and beverages, sustainability and agriculture.

For all inquiries contact:

ResponsibleSourcing@nsf.org

NSF International, serving all countries from offices in:

- | | |
|----------------|--------------|
| USA | Dubai |
| Canada | Egypt |
| | Kenya |
| Brazil | South Africa |
| Chile | |
| Costa Rica | China |
| Mexico | India |
| Peru | Korea |
| | Thailand |
| Belgium | |
| Czech Republic | New Zealand |
| France | |
| Germany | |
| Greece | |
| Holland | |
| Ireland | |
| Israel | |
| Italy | |
| Poland | |
| Slovakia | |
| Spain | |
| Turkey | |
| UK | |