

**FNET's Developing Common Due Diligence Tools Working Group**

**Minutes of the meeting**

17<sup>th</sup> January 2024 – 10-16.00 in person and virtual meeting

**1. Attendees:**

<b>Name - Business</b>	<b>Name - Business</b>
1. Fiona Wheatley – Bakkavor 2. Jessica Garratt – Co-op 3. Carl Cooper – Westbridge Foods 4. David Alder – MWW 5. Harriet Cole – Berry World 6. J. Widz – Zertus UK 7. Lydia Tunnard – Keelings 8. Jon Tugwell – Fyffes 9. Lucy Faulkner – British Pepper & Spice 10. Sara Bishop – Berry Gardens 11. Naomi Kirkwood - Samworth Brothers 12. Sadia Mustafa – Idh	13. Rick Fletcher – Greencore 14. Jim Swann – Ethical Food Company (EFC) 15. Victoria Brown – Westbridge Foods 16. Hannah Greatorex – Berry Gardens 17. Alison Walker – Fullers Foods 18. Gabriella Partner – Fullers Foods 19. Hella Lipper – Blue Skies 20. Laura Williams – Yeo Valley 21. Gemma Knight – Yeo Valley 22. Louise Nicholls – FNET 23. Linda Beresford – FNET
<b>Apologies</b> Mel Miles – Westfalia Foods Naomi Pendleton – AM Fresh	<b>On Line</b> 24. Lucienne Gilmour – AM Fresh 25. Emma Henry – Berry World 26. Susan Sellar – DPS 27. Candida Barbato – Hortifruit 28. Helen Smith – Compleat Foods
<b>External speakers</b> Diana Copper – IDH Jo Webb – The Body Shop Jessi Baker – Provenance	<b>Special Thanks</b> – To Naomi and Samworth Brothers for hosting the meeting. To Jon for sharing Banana supply chain

**2. Recording and Slide Presentations**

**a. Meeting recording link: 17<sup>th</sup> January 2024 (available for a limited time of 2 months)**

**DCDDT 17 Jan Video Links – Teams**

- ◆ Part 1 Introduction to Low leverage and examples [Meeting Recording](#)
- ◆ Part 2 Feedback from breakout groups 1-3 [Meeting Recording](#)
- ◆ Part 3 Expert speaker content, Lou – Legal Position, IDH – Low leverage, The Body Shop – Developing a Road Map, Provenance – the customer leverage and technology for transparency. [Meeting Recording](#)

**b. DCDDT 17 Jan Slide Dec – Can be accessed [here](#)**

**c. SLIDO results of the definitions of low leverage and complex supply chains are [here](#)**

**3. Session 1 Sharing of case studies.**

**A complex case study was** presented by Fyfes: - 85% of our supply chain is two steps away from the grower. We are known for bananas, but also trade melons and pineapples, cassava and avocado.

We take from over 2600 farms in 15 countries, not seasonal. Complexity is made by our customers. 50 specifications for a bananas - most of all packed at site. Farm size also significant we go from .07 of a

hectare as the smallest producer - our largest farm is very large. We use product marketing organisations. We sign contract with them, they distribute the packaging to pack a product for a particular retailer. We have staff that try to resolve any problems - take 4 weeks to resolve.

STRENGTH of RELATIONSHIP. Individual products. There are problems everywhere on the HR side - we have a team that picks up any concerns to the compliance teams. Everyone is on SEDEX advise and chase corrective action for SMETA audits. Ongoing issues. Human rights assessments - Domestic violence is an issue.

In theory Fyffes has some very good leverage created by the business model - how are you facing complexity of global supply? - demands are continually being placed on us.

**A low leverage FNET Case study** was presented by Naomi Kirkwood on the FNET work on Herbs and spices supply chain - a lot of material on FNET website. [Responsible Purchasing Practice](#) [Ethical Trading Toolkit](#). [Ethical Decision Tree and Guidance for Spices](#).

*Note – these tools are referred to later in the workgroups.*

### Comments/questions

Scale is a big challenge - prioritising where we focus - how important it is to the procurement team - we have a list of prioritisation.

What are our more important raw materials - named ingredient - complexity around some products that are limited.

## 4. Break out session - challenges experienced by working group members

### I. Group 1

- ◆ Geopolitical- languages, cultural nuances and differing labour right standards. Different to broach some issues
- ◆ Monopolies & single point of failure - China is a good example and this is a multi industry problem which will need multi-stakeholder and sector engagement
- ◆ Contingency/ contracting agreements -difficult to get info if a farm is contracted for a limited period
- ◆ Small holdings – it's great that we can support them but often limited in what we can do/ often not picked up on high level supply chain risk assessments
- ◆ Retailer demands -different requirements, need them to understand and see issues on the ground and we need trust
- ◆ Relationships & trust - need to suppliers which have little human rights activity/agendas that we are helping with a problem that they have and start there and not go all in with our human rights agendas. We need to show what is in it for them.
- ◆ Leverage needs to be balanced with risk – and what risks – human rights, reputation, supply fluidity
- ◆ Capacity and knowledge gaps lower in the supply chain
- ◆ Commercial considerations - budgets are being squeezed
- ◆ Climate change

### II. Group 2

Current volatility was mentioned as a key factor. The different requirements between other markets and the UK means the UK is becoming less important and therefore they are constraints in what can

be request and the leverage UK players have. Visibility of supply chain are a key issue. There are also language barriers and cultural challenges. There are also cost squeezes and internal country policies and international trade tensions that pose a challenge.

### III. Group 3

**Member 1** was concerned about, SOY due to the complexity of the supply chain and leverage. We are not buying it, it is our supplier and cooperatives ownership. It is our farmers decisions. Beyond tier one it is very hard to engage.

**FNET Team** : Procurement team engages with suppliers. Is it often very transactional - there is a relationship but beyond the commercial aspect of their role they don't feel the need to embed environmental sustainability.

**Member 3**: We are not at the forefront of the conversation. Cultural change from the site. Building the understanding to build relationship with the right sites. Rather than cleaning the mess. Buyer knowledge important and scope of their role for them to understand. Information is coming from retailers - commercial people speaking about this - not quite getting that integrated.

**Member 4**: raised the issue of complexity of numerous ingredients and the high churn of staff.

**FNET Team** acknowledged the same challenge in retail: buyers who just bought chicken or limited range of products knew their supply chains and much less churn. Retail buyers change every couple of years. So knowledge of the supply chain is quite varied. It is hard to do dive-downs and understand the raw material challenges with the churns.

**Member 4**: We do not experience as many challenges on fresh produce, but for some category we have a real challenge because we are not a big buyer or there are not alternative suppliers so we have to comply with what they give us, often not even able to ascertain country of origin from the rainforest alliance delivery notes.

**Member 5**: mentioned the challenge of working with large companies in the cocoa space in supply chain with no considerable leverage. Companies have very confidential supply chains because of flavour profiles. Retailers add pressure with different requirements, and cocoa companies are not responding to requests, and it is a challenge for our business because chocolate is 80% of their business.

A discussion ensued on the fact that were complexity is too high then companies end up relying exclusively on certification. These remain very important but further traceability is required.

In the **feedback session** from small group work:

Another group highlighted the need for scale, and challenges of long supply chain, the issue of shifting priorities, intelligence available and level of disclosures. Embedded ingredients are very challenging. Issues of scope of transparency and accountability is important to consider.

The pivotal role of trust with one's own suppliers is seen as very important.

## 5. Legislative update session

Louise provided a quick reminder of the legal framework, due diligence legislation, UN Guiding Principles on Business and Human Rights. These two elements that we are focusing on today.

Louise provided some frameworks to support companies.

- a. **How do you prioritise** - The M&S decision tree is a good example of how one is able to prioritise human rights issues.
- b. **Mitigating risk** - Common standard and common approaches are very important to align people and ensure we mitigate the risks around low leverage and complexity. Certification is a very useful tool.
- c. **Collaboration** and co-funding projects important - Working with others organisations in our sector is important, examples of this include using ETI based codes, join SEDEX, joining FNET - aligning behind tools is essential as well as researching/understanding other actors in the supply chain. There is an important role for advocacy. How do we put in something that we drive legislation?
- d. **Choke points** - The OECD Guidelines on agriculture, identify specific choke points, that there are complementary and mutually enforcing standards that increase influence. These can be things like concentration of traders: i.e. Olam, Cargill. There is here a real chance to influence and create ripple effects.
- e. **Audits** - In supply chains where actors may already have audits there is potentially a way through the back door to influence raising standards, e.g. Shrimp industry.
  - i. Where is there concentration of leverage - ripple a requirement in the improvement of understanding. Where there are open audits, and grievance mechanisms pleasant.
  - ii. GRASS - close their NCs within 28 days of the audit - prior to being published. Grievance mechanisms - look at what there are up to.
  - iii. Mutual recognition is also a strategy that can be used, if the following questions are thought through: What does it look like? What evidence do we have?
  - iv. The emergence of VUCA is bringing forward a further willingness to collaborate.

6. IDH presentation - see slides.

7. Body shop presentation - see slides.

8. Provenance presentation - see slides.

## 9. Afternoon session – Group Work 2– Identifying Common Themes from the Morning Session

The working groups focused on resources that we may be able to flag in guidance.

These include:

- ◆ Better access to existing tools (Learning library)

- ◆ Where possible benchmarking/analysis. Some help on how do I prioritise where to focus.
- ◆ It would be good if we could have a SEDEX radar Risk Mapping to discuss/populate.
- ◆ Self-assessment of level of compliance against code of conduct.
- ◆ Examples of both proactive and reactive approaches.
- ◆ Range of materials and range of countries.
- ◆ Need to share our own concerns and projects more and see who wants to be involved
- ◆ Transport & logistics deep dive and successful engagement scenarios
- ◆ Update, consolidate and test our guidance through scenario-based exercises
- ◆ FNET SMEs - skills and knowledge matrix of our members
- ◆ How do we use tech to improve our own leverage and collective leverage e.g. open supply hub and Provenance
- ◆ Suppliers want an opportunity to voice their requirements with retailers
- ◆ More risk assessments to inform priorities

## 10. Group Work Session 3- How to Prioritise/How to Manage after Prioritisation/How and When to Collaborate:-

### STEP 1 - How do we prioritise low and complex supply chains? Scoping Phase

- Situation
  - Reactive vs proactive
- Assess and Scope
  - High-level
    - Risk assessment - category, leverage, spend, HR - GSI, TTIP report, sector knowledge
    - Horizon scanning - what has been done already/ in other sectors and what change/ progress has been made
- What risk and opportunities look like to me and my business
  - Categorise suppliers into leading, engaged and unaware on their human rights agendas and engagement on the matter
  - Weighting assessment - score by leverage, volume, spend
  - Business case by ROI and align to the impact on workers
  - Own capacity - balance quick wins and strategic projects
  - See if there are thematic or geographical issues
  - Risk of inaction
  - Materiality assessment
- Create objectives, what is in scope including stakeholders

On the issue of prioritisation: Louise stated it is important to develop and argue the rationale for where the company decides to prioritise, and that this should be a good start in working with retailers for example.

### Step 2 - How to we Manage as a business? The Process

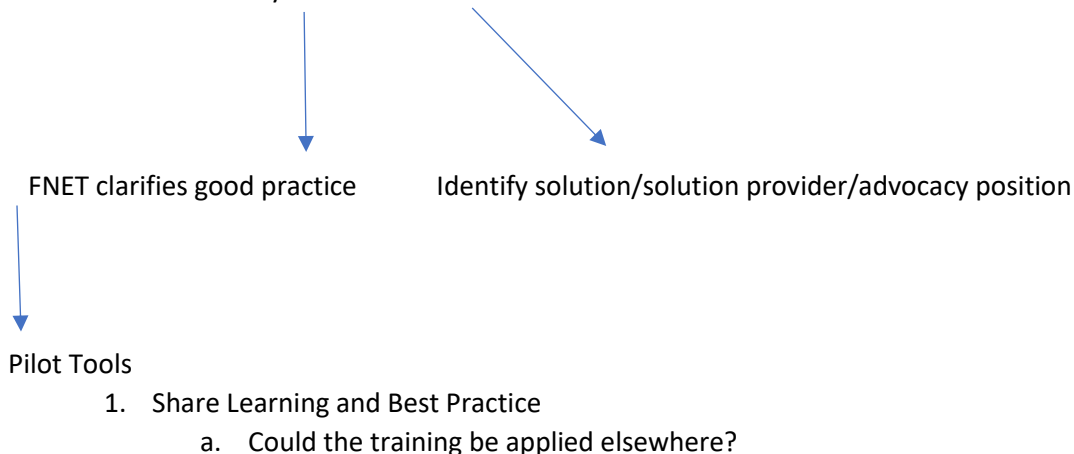
- Unknown/Not Visible
  - Develop directory with subject/country specialist, wider than just FNET
  - Establish where collaboration is possible
  - Mutual recognition of standards
    - What is available?
    - What do they cover?

- Where do we engage for improvement?
    - Easy access to information, close out times & differences
  - Capacity Building for suppliers
    - FNET tools use for engagement eg gender
    - Need to check all FNET tools library and it is updated
  - Visible/Transparent Supply Chain
    - Establish possible collaboration (see group 3)
    - Gather the data
      - Develop/Edit the decision tree
    - Engage with Procurement teams at the start
      - FNET tools for buyers/procurement
      - Update the tools and ensure include in FNET library
    - Check information on requirements for all markets for more leverage
  - Finally use the FNET tools on how and whether to engage further.

Members highlighted the importance of 'process' i.e. Suppliers having a really good 'system for management of these issues. They call it passing the baton. For others the risk is often where there is lower spend.

### Step 3 – When & How to Collaborate

- **When**
  - Systemic Issue that supplier cannot solve on its own
  - When there is a supply chain disruption/crisis/issue impacting many suppliers in a sector or raw material
  - A product where you have low leverage that will be being bought in greater quantities by others
  - Moving into new markets/business ventures/countries
  - Gap in understanding where collaboration would lead to better insight and tools
- **How**
  - Sharing safely the problem to see if there is consensus
    - How to engage internally to get the go ahead
    - To share who internally might have parallel solution
  - Fact Finding
    - What is known about the issues – Scale
    - Who are the stakeholders --> who is leading? ----->
    - Do any other initiatives exist? ----->Join Sector initiative



Different tools and strategies are needed for tier one as opposed to other suppliers. Collaboration and transparency are important strategies.

### 11. Summary - Further strategies to include in the toolkit

- Collaboration with the supply chain and likeminded companies allows for greater leverage.
- Strengthening embedded tool for example GRASP and trying to get buy in from our customer
- How do we drive impact? Capacity building tools meaningful and user friendly?
- Agents and brokers need to be engaged.
- Mapping out decision trees
- Scenario planning
- Retailers sharing their requirement and standards.
- Open source tools
- Standard certification documents where the pros and cons are of different standard are clearly shared
- Mapping of collaboration benefit.
- Establishment of FNET subject matters and country experts.
- Inclusion of prompts - what would be the questions to ask.
- Guidance on when to do a deep dive vs ensuring first tier strategic suppliers have processes in place.
- Supply chain mapping, when to use mass balance or other tools.

### 12. Actions / next steps:

	Action	Who	When
General	WG Leads to review all actions and assign priorities and set actions and accountabilities	DA/NK/LL	27 <sup>th</sup> Feb
Scoping Phase	<ul style="list-style-type: none"> <li>• Using the points raised develop a risk assessment guidance including a procedure for how and when to prioritise (1.1)</li> <li>• Review the Current tools and amend</li> </ul>	DA  ALL/LB	
Managing Risk	<ul style="list-style-type: none"> <li>• Develop Country &amp; Product specialist Directory (2.1)</li> <li>• Guidance for developing collaboration possibilities (2.2)</li> <li>• Map out Mutual recognition possibilities and understand gaps (2.3)</li> <li>• What are the existing FNET tools –               <ul style="list-style-type: none"> <li>○ develop the library (2.4)</li> <li>○ Update where applicable</li> <li>○ Gender tools (2.5)</li> </ul> </li> <li>• Gather the data – edit the FNET decision tree (2.6)</li> <li>• Work with Procurement – develop the training materials (review the current training tools for internal training) (2.6)</li> </ul>	Assign Assign Assign  LB/LN WG LN NK Assign	
When to Collaborate	<ul style="list-style-type: none"> <li>• Develop the roadmap for knowledge gathering and who might share the problem use resources in 2.1. (3.1)               <ul style="list-style-type: none"> <li>○ Look at Body shop example for haulage</li> </ul> </li> <li>• Develop Good Practice FNET (3.2)</li> </ul>	LN  LB/LN	

- End -