



## Supply chain impact in the food and agriculture sector

A call for consultation on measuring and evaluating the supply chain impact of keystone companies in East Africa and South and South-east Asia

April 2021

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## Introduction

This paper outlines the scope and aims for a project that will explore the linkages between companies' performance on material sustainability topics and their subsequent impact on the ground at the local level. In particular, it will evaluate how companies create change within their regional supply chains and how benchmarking – by which we mean a publicly available and free ranking of corporate sustainability performance – can speed up the transformation of the global food system. With the support of the IKEA Foundation, the World Benchmarking Alliance (WBA) will implement this project within an initial timeframe of three years.

WBA has selected 350 [keystone companies](#) – those with a disproportionate impact on the global food system – for its first Food and Agriculture Benchmark, which will be launched at the UN Food Systems Summit later this year. The benchmark will evaluate the performance of companies on key environmental, nutritional and social inclusion topics. This project will dive deeper into the supply chain impact of a selection of these companies, based on the significance of their footprint in the two project focus regions of East Africa and South and South-east Asia. These regions were chosen because of their centrality in the global food system and the need to embrace a global transformational agenda. Moreover, while interest in the sustainability performance of companies' own operations is well established in research and policy, it is only in recent years that this has extended to companies' supply chains. However, the availability of data in this area remains limited. Therefore, the purpose of this project is also to gather data on companies' supply chain performance and to better understand the dynamics of this aspect of companies' value chains.

The following pages outline the urgent need for a greater understanding of supply chain impact, the characteristics and sustainability topics that may determine this impact and the proposed methodology for this project. **By publishing this paper, we hope to elicit additional input from stakeholders on the proposed approach and methodology. We also present four key consultation questions and seek explicit input throughout the paper. Please send any feedback directly to Nathan Cable ([n.cable@worldbenchmarkingalliance.org](mailto:n.cable@worldbenchmarkingalliance.org)) and Will Disney ([w.disney@worldbenchmarkingalliance.org](mailto:w.disney@worldbenchmarkingalliance.org)).**

## Acknowledgements

WBA would like to thank the IKEA Foundation, which financially supports both the development of the Food and Agriculture Benchmark and this monitoring, evaluation and learning (MEL) supply chain project. Across WBA, our work is funded by a group of governments, foundations and philanthropic organisations that share our vision for the future. We would also like to thank them for their support, without which none of our work would be possible. A full list of WBA's funders is set out in Annex 1.

Furthermore, during the early stages of our partnership, we engaged with a group of WBA Allies, IKEA Foundation project partners and members of our Expert Review Committee to discuss our approach to this project and gather feedback from those with thematic and/or regional expertise. These conversations helped form the approach and structure presented in this paper. We would like to extend our thanks to the following organisations:

- Aceli Africa
- Aidenvironment
- Alliance for a Green Revolution in Africa (AGRA)
- Centre for Responsible Business
- Meta/Meta
- Oxfam
- Root Capital
- Scaling Up Nutrition (SUN) Business Network: country representatives from

- Ecochain
- Ellen MacArthur Foundation
- Global Alliance for the Future of Food
- Global Alliance for Improved Nutrition (GAIN)
- Hand in Hand International
- International Institute for Environment and Development
- Kilimo Trust
- Kudos Africa
- Mozambique, Bangladesh, Sri Lanka, Kenya, Uganda, Laos, Cambodia, Philippines and Myanmar
- Solidaridad
- Sustainable Trade Initiative (IDH)
- Swasti/Catalyst Management Services
- WBA Food and Agriculture Expert Review Committee (list of members available [here](#))
- WWF India

## About the World Benchmarking Alliance

WBA brings together a diverse and growing group of organisations from across the globe that are motivated by the common ambition to create a world that works for all – as embodied by the Sustainable Development Goals (SDGs). We share the vision that achieving these goals requires a systems perspective, as the 17 SDGs are interlinked. We also agree that to accomplish systemic transformation, the private sector has a key role to play. WBA uses a systems approach to develop benchmarks, placing a strong emphasis on transforming the systems that have the greatest potential to drive economic, environmental and social progress. Systems thinking helps us make better sense of the issues as well as identify the most influential companies in each system. By 2023, WBA will have benchmarked 2,000 companies – the SDG2000 – across seven systems transformations that we believe are vital for putting our society, planet and economy on a more sustainable and resilient path over the next decade and beyond (see Figure 1). Benchmarks will be produced for all seven systems, of which food and agriculture is one, with accompanying methodologies helping to support systems change.



Supply chain impact is an important consideration for companies across all of WBA's seven systems and the various industries that sit within these. Therefore, the framework for this food and agriculture-specific project will be developed to be relevant for these systems, in order to be applicable and transferable in the future.

**Figure 1: WBA's seven systems transformations**

The social transformation sits at the core of the model because it represents topics such as human and labour rights that are fundamental to achieving the SDGs, irrespective of the sector or transformation. For this reason, all SDG2000 companies will be assessed on these social topics, including the companies in the Food and Agriculture Benchmark.

## WBA's theory of change

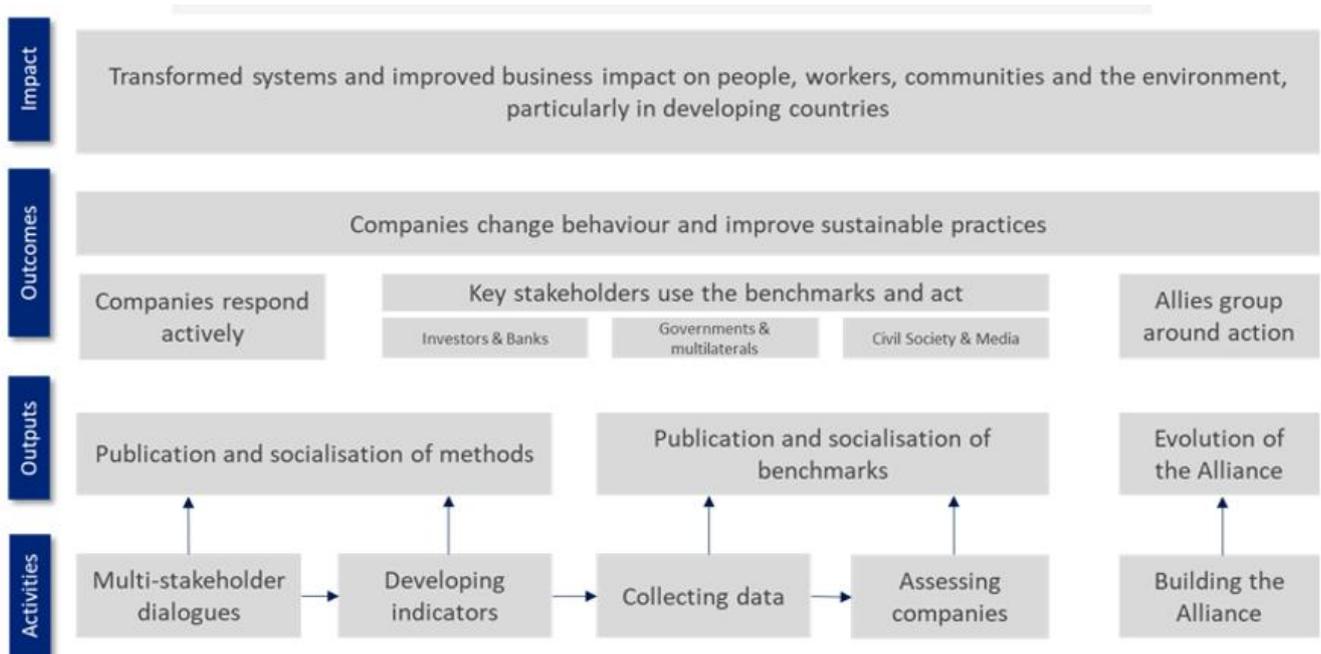


Figure 2: WBA's theory of change

WBA's institutional theory of change (ToC) (Figure 2) sets out the desired impact of WBA's benchmarks and how that impact will be achieved. The ToC comprises:

- **Activities:** WBA undertakes multi-stakeholder dialogues (involving companies, civil society, investors and policymakers), develops methodologies and indicators, collects data and assesses companies across seven systems transformations while growing the Alliance of partners.
- **Outputs:** our activities result in publicly available and free methodologies and benchmarks as well as growth of the Alliance.
- **Outcomes:** based on our outputs (methodologies and benchmarks), companies respond actively and stakeholders take action. This in turn leads to accelerated company efforts towards more sustainable practices.
- **Impact:** accelerated company efforts towards more sustainable practices ultimately result in transformed systems and improved business impact on people, workers, communities and the environment, particularly in developing countries.

This project will provide a deep dive into WBA's institutional ToC and outcomes by assessing the influence of keystone companies on behaviour change and improved sustainable practices among selected supply chain partners across our two focus regions. By evaluating influence beyond the scope of companies' direct operations, WBA will provide a more comprehensive insight into companies' ability to achieve holistic systemic change and tackle global sustainability challenges at a broader scale. We aim to learn which practices speed up or slow down the transformation, and which activities and outcomes are most important to the change. Furthermore, the project's three-year cycle will allow for two full rounds of impact evaluation. This will enable us to track progress made by companies in terms of influencing more sustainable practices in their supply chains as well as contributions made to WBA's desired impact of transformed systems and improved business impact on people, workers, communities and the environment, particularly in developing countries.

## WBA's Food and Agriculture Benchmark

Food systems contribute to economic prosperity, human health and planetary health. Meanwhile, poor diets are the main contributor to the global burden of disease. Approximately 3 billion people cannot afford a healthy diet, and more than 3 billion people suffer from at least one manifestation of poor nutrition. The global population is predicted to reach 9.7 billion by 2050, but food systems are already operating beyond some planetary boundaries. Agriculture and its associated land-use changes are the biggest contributors to climate change, land degradation, deforestation and biodiversity loss. The need for fundamental transformation of food systems has become undeniable. Food system transformation ties in these interconnected aspects of human and environmental health and livelihoods and links them to key global agendas including the SDGs and the Paris Agreement.

The Food and Agriculture Benchmark takes a holistic approach to food system transformation, assessing 350 keystone companies throughout the value chain on a broad set of indicators in four measurement areas: governance and strategy, environment, nutrition and social inclusion. As such, the benchmark seeks to assess the role and performance of companies and industries and provide robust evidence of companies showing leadership and stewardship and those that are lagging behind. The research further aims to show where each company in the food and agriculture value chain stands today versus what action is required for the transformation we need. For a detailed insight into how companies will be assessed, you can access the [full benchmark methodology here](#).

While the Food and Agriculture Benchmark will measure and compare companies' performance on aspects of their supply chains, it will not exclusively focus on this area. Indeed, the intention of the benchmark is to capture and measure sustainability performance across a company's entire value chain, of which aspects of supply chain performance are considered. Therefore, this project will act as an extension of the Food and Agriculture Benchmark by conducting a deep dive into the topic for a select group of keystone companies and shining a light on the impact of supply chains in the food and agriculture sector.

### Shining a light on supply chain impact in the food and agriculture sector

To measure and evaluate the impact of keystone companies, we first need to understand their supply chains: where they extend to, what is being sourced, how they are modelled and governed, and the make-up of the relationships within them. Today's agri-food system is complex and interconnected. Actors across the value chain are linked by horizontal and vertical cooperation, forward and backward integration in the supply chain and continuous innovation,<sup>1</sup> with significant challenges including the perishability of products, long production cycles and seasonality, and high degrees of variability in both the quality and quantity of supply.<sup>2</sup> Like many other systems, the agri-food system has become increasingly globalised in recent years, driven by reduced barriers to international trade, the rise of multinational corporations and consumer demand.<sup>3</sup> The increasingly globalised nature of the industry has also seen its value rise rapidly, with the trade of commodities such as palm oil, beef and soya generating billions of dollars of investments in both producing and consuming nations.<sup>4</sup> In producing nations, more than 400 million people live on the cultivation of these and other commodities, typically in small-scale or cooperative farming structures.<sup>5</sup> Yet these people often lack the finance, market access and bargaining power to earn a sustainable livelihood and living income in these global value chains.<sup>6</sup>

WBA's 350 keystone food and agriculture companies, headquartered in 41 different countries, are billion-dollar multinational enterprises and have a vast collective supply chain presence – one which significantly exceeds their direct operational presence. However, the full extent of their supply chains is not well

understood, hampered by a collective lack of transparency due to minimal corporate disclosure. Greater transparency can play a significant role in demystifying complex supply chains, helping stakeholders to identify and minimise risk and improving conditions on the ground.<sup>4</sup> However, initial research by WBA has shown that the majority of keystone companies have little or no public information available on their sourcing activities, such as the origins of key agri-commodities or locations of major suppliers. While disclosure is improving in some areas, particularly in relation to commodities such as palm oil and cocoa, it is rare for keystone companies to disclose information beyond their tier 1 supply chain partners.

The importance of establishing a more detailed understanding of food and agriculture supply chains is demonstrated by the fact that the impact of these chains on natural capital (such as air, soil and land) is estimated to be 24 times higher than the impact of direct company operations. Similarly, indirect scope 3 greenhouse gas (GHG) emissions are estimated to be 5.1 times higher than direct scope 1 and 2 GHG emissions in the agriculture sector.<sup>7</sup> Inequality and human rights abuses, while endemic in the global economy, are often exacerbated in supply chains, and particularly in agriculture when it comes to issues such as child labour, forced labour and paying a living wage.<sup>8</sup> As such, the ultimate drivers of environmental and social change in producer countries are often disconnected from the places where the majority of impact materialises, especially when change is being driven by consumption patterns in North America, Europe and China.<sup>4</sup>

However, this disparity in impact is not reflected in the level of corporate commitments in place to address these issues. [WBA's food and agriculture baseline assessment](#), published in December 2020, found that while 35% of keystone companies committed to reducing their scope 1 and 2 GHG emissions, only 11% disclosed commitments that also covered their scope 3 GHG emissions. Similarly, while 64% of companies disclosed commitments to reduce freshwater use in their own operations, only 25% also consider the role of their supply chains and their dependencies in water-stressed areas. With 40% of companies lacking a commitment to eliminate child labour in either their operations or supply chains, a clear pattern emerges of companies failing to address holistically both their operational and supply chain impact in sustainability strategies and corporate commitments.

Another challenge to unpack is the various structures of agri-food supply chains and the relationships and power dynamics within them. Historically, these supply chains have been characterised by asymmetric power relations in favour of larger downstream companies, typically headquartered in Western countries although more recently joined by emerging economies such as China, which adversely affects the distribution of risk and reward along the chain.<sup>9</sup> Traditionally dominant 'buyer group' characteristics, such as large purchase volumes, standard or undifferentiated products (in the case of agriculture, commodities such as grains, oilseeds, cocoa and coffee) and purchase products forming a significant fraction of the cost and therefore making buyers more cost-sensitive,<sup>10</sup> can all be attributed to large-scale downstream players in the global agri-food system.

In addition to traditional power imbalances, the ways in which companies source agricultural commodities and products can vary greatly – be it directly from farmers, through cooperatives or wholesalers, or using intermediaries or commodity markets.<sup>11</sup> This can also vary between different commodities, even if sourced by the same company. Intermediaries, for instance large-scale commodity traders, third-party certifiers and credit agencies, play increasingly important roles in areas such as information and knowledge transfer, codification through standards and increasing supplier capacity.<sup>12</sup> However, longer supply chains (those with greater numbers of actors and intermediaries between the producer and end-purchaser or consumer) have been shown to limit the value provided to producers and weaken local development<sup>13</sup> as well as making traceability back to the farm level increasingly difficult. Without this understanding of the source or

geography of origin of a given product or commodity, and the point at which multinational companies strategically enter the supply chain, it is difficult to evaluate company impact.

A sustainable supply chain is one that 'manages environmental, social and economic impacts and works for good governance throughout the life cycle of products and services. The goal of a sustainable supply chain is to create, protect and grow long-term value for all stakeholders involved in the presence of products and services on the market'.<sup>14</sup> Given the challenges outlined above, how can this outcome be achieved in agri-food supply chains?

The International Institute for Environment and Development, a WBA Ally, has described several key principles, including chain-wide collaboration in the allocation and use of resources and management of outcomes, giving smallholders a voice in the adoption of new ideas and technologies, and fair and transparent governance relating to decision-making and the way in which actors participate in the chain.<sup>15</sup> OECD-FAO guidelines stress the need to design, report on and verify robust due diligence processes for addressing supply chain risks,<sup>16</sup> while Fairtrade Nederland recommendations include longer term contracts with greater transparency on prices and trading conditions, prices that enable living wages to be paid and balanced mechanisms for negotiations and resolving disputes.<sup>17</sup> Supporting the organisation of farmer cooperatives can bring numerous benefits to small producers, including a structure for improved education, lowered input prices through aggregated demand, stronger bargaining positions for bigger markets and better pricing, and reduced reliance on intermediaries or local traders.<sup>6</sup> Finally, assigning board or executive-level responsibility for supply chain governance can help to ensure the necessary implementation and oversight of relevant policies and codes of conduct.<sup>18</sup>

The World Business Council for Sustainable Development, another WBA Ally, recently published an issue brief on [vital supply chains](#), highlighting how existing issues and inequalities in food and agriculture supply chains have been exacerbated by the ongoing COVID-19 pandemic. Among these are limited access to resources and credit for (female) smallholder farmers, reduced availability and affordability of healthy and nutritious food and critical increases in food loss stemming from border disruptions and transportation delays.

More data, disclosure and transparency sit at the heart of many of the suggestions for transitioning to equitable and sustainable supply chains, and as such are the first steps on the journey to understanding, managing and mitigating supply chain risks. Without addressing these challenges, a holistic transformation of the food system is impossible. Unfair trading practices, unsustainable production methods and human rights violations cannot be fully understood, addressed and eradicated if both companies and external stakeholders lack a basic overview of what, where and from whom products are sourced.

## Project overview

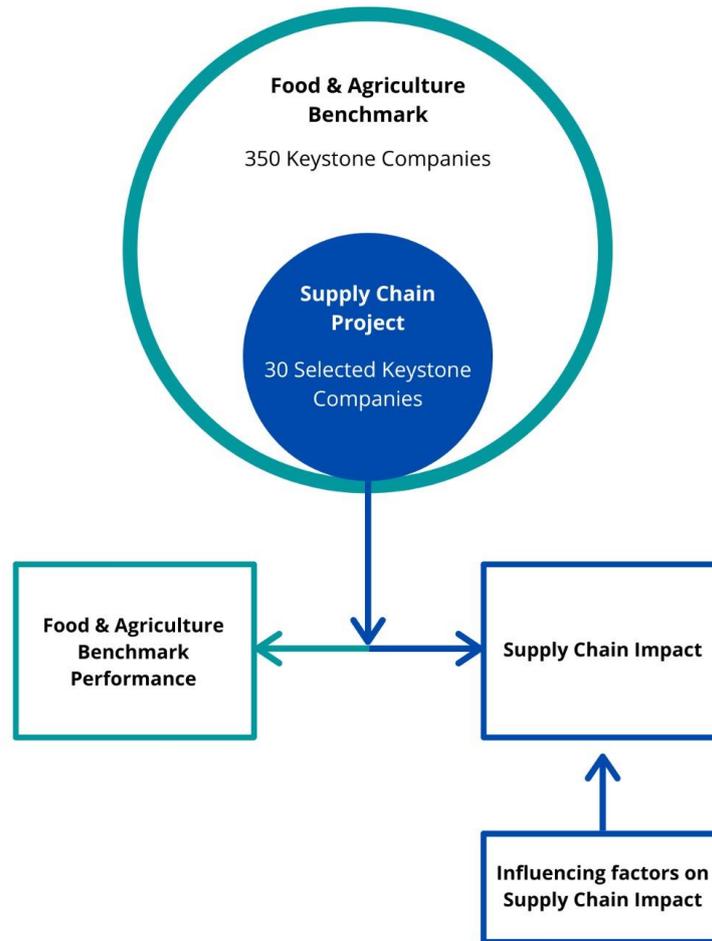


Figure 3: Project overview

This project will serve two major functions: firstly, to evaluate the relationship between benchmark performance and measurable supply chain impact in the two focus regions; and secondly, to assess the influencing factors that determine this impact. In order to explore this, we will examine how keystone companies structure their regional supply chains, how and where they work with small producers, small and medium-sized enterprises (SMEs), larger regional companies and intermediaries, the degree to which they have leverage and influence over their supply chains and partners, and how they use this to effect transformational change within the food system.

In order to evaluate the relationship between benchmark performance and supply chain impact, we need to engage with the regional supply chain partners of our keystone companies. To do so, we need to know who these partners are, which emphasises WBA's call for greater supply chain disclosure from our keystone companies. As one effort to address this, supplementary questions will be included in the questionnaire sent to all companies to collect data for the first Food and Agriculture Benchmark in 2021. In answering these questions, companies will be requested to provide additional information related to their regional impact across their operations, supply chains and product sales. Furthermore, while benchmarks are company-led exercises and evaluate performance from this top-down perspective, WBA intends to use this project as a means of engaging with and gathering input from those located upstream in the supply chains of keystone companies. By doing so, we will determine not only the extent to which companies influence the behaviour and business activities of their supply chain partners, but also how these partners are looking to tackle key sustainability issues themselves. As demonstrated in the most recent iteration of the [Access to Seeds Index](#) (a WBA 'spotlight' benchmark that sits within the broader food and agriculture transformation), regional

home-grown SMEs often have competitive advantages over global companies in areas such as product distribution and capacity building.

Therefore, the project will explore the dynamics, structures and relationships in keystone company supply chains from the perspective of the companies themselves and their regional partners. We will evaluate the extent to which the characteristics of these supply chains influence the ability of these actors to collectively tackle key sustainability issues across East Africa and South and South-east Asia. The results will help to deepen our understanding of the overall supply chain impact of keystone companies in these regions, allowing WBA to determine the extent to which performance on these issues in the Food and Agriculture Benchmark is reflected in companies’ impact on the ground across the two regions.

## Project timeline

WBA and the IKEA Foundation began a partnership in mid-2020. The development process for this paper involved stakeholder engagement with the organisations named in the ‘Acknowledgements’ section. We will finalise the selection of companies for the project by mid-2021. In the second half of the year, we will engage with these companies and their regional partners and begin the process of additional data collection. The first-year assessment (or ‘baseline’) for this project will be carried out and published in early 2022, using the results from the first Food and Agriculture Benchmark as a reference. We will repeat this process in 2022/3. The project is due for completion in 2023. At this point, WBA will publish a final project report, detailing the supply chain impact of the keystone companies over two full project cycles, including an analysis of changes or improvements seen with respect to supply chain impact over the two cycles.

## Project dimensions

<p><b>Demonstrate the role of keystone companies in influencing system change through their regional supply chains</b></p>	<p>This is a central aim of the project and is explored in depth throughout this paper.</p>
<p><b>Signal to companies the importance of supply chain transparency and performance</b></p>	<p>A desire for greater corporate disclosure and transparency is being driven by multiple groups of stakeholders. A rise in conscious consumerism, with organic food sales rising rapidly and 73% of consumers indicating they would change consumption habits to reduce their environmental impact,<sup>19</sup> is one such example. Campaigns run by non-governmental organisations, often in response to supply chain issues such as forced labour or deforestation, have also become more prevalent, as have government regulations and laws relating to supply chain transparency and compliance. WBA’s own commitment to transparency is demonstrated by the free and public availability of our methodologies and data.</p> <p>We will therefore use both our benchmark and this project to signal to companies how societal expectations are growing in terms of disclosing more data around companies’ supply chain presence and impact, and a step on the journey towards a deeper understanding of this impact.</p>

<p><b>Demonstrate WBA’s impact in influencing change on the ground</b></p>	<p>WBA’s impact is seen through ‘transformed systems and improved business impact on people, workers, communities and the environment, particularly in developing countries’, as shown in Figure 2. By engaging with companies and their regional partners over a three-year project cycle and taking a deep dive into the outcomes of our theory of change, WBA will be better able to demonstrate the influence of the Food and Agriculture Benchmark in effecting measurable change on the ground, with an explicit focus in this project on impact in developing countries.</p>
<p><b>Provide a tool for companies, Allies and external stakeholders</b></p>	<p>Companies will benefit from this project because it will provide a tool for them to understand the material topics they should be addressing, specifically regarding their supply chains, and highlight how they can further contribute to the transformation of the food and agriculture sector. Indeed, as part of being measured in the wider benchmark, companies play a key role in the sector’s transformation, and the insights generated by this project will allow companies to address current shortcomings while also learning from peers how they can tackle specific supply chain topics.</p> <p>Echoing the spirit of SDG 17 (partnerships for the goals), WBA represents a global multi-stakeholder group of organisations. Currently, there are over 200 organisations in the Alliance, ranging from financial institutions and business platforms to civil society and academia. Allies are committed to WBA’s mission and believe in the power of benchmarks and collective, cross-sector action to drive systemic progress on the SDGs. They play a significant role in transforming WBA’s benchmark data to create meaningful impact.</p> <p>Collective impact coalitions (CICs) are one way of ensuring collective action is taken using the evidence from the benchmarks. CICs harness the diversity of our Allies to translate benchmark data into concrete action to influence company behaviour. They provide a platform for Allies and other stakeholders to prioritise key findings of WBA benchmarking reports and actions to be taken. CICs then execute these actions by leveraging the networks and unique competencies and experience of each stakeholder type. WBA will launch the CIC concept in May 2021, followed by the first food and agriculture CIC alongside the benchmark in September.</p> <p>This project, along with the benchmark itself, can therefore be used by Allies and external stakeholders as a further tool for engagement, advocacy, policy and research purposes.</p>
<p><b>Feed back into WBA’s seven systems transformations</b></p>	<p>Benchmarking is a cyclical process, with methodology review and development a central part of this. Just as WBA seeks improvement in company behaviour and activities over multiple benchmark cycles, these opportunities are also taken to refine and improve our own methodologies over time. The outcomes of this project, and particularly the assessment to determine how far keystone company impact on the ground is reflected in benchmark performance, will therefore be an</p>

	essential tool in this process. This will be true not only in the food and agriculture transformation but across all of WBA's seven systems transformations, where supply chain impact plays a crucial role in many if not all the industries assessed.
<b>Feed back into WBA's measurement of significant impact in developing countries</b>	WBA is continually looking to deepen its understanding of the impact of keystone companies. All SDG2000 companies are assessed on whether they have a 'significant impact' in developing countries based on their operational presence, supply chains and sales. This project will be an important tool in evaluating this impact for the selected keystone companies as well as providing an evidence base for how similar work could be undertaken across other systems.
<b>Feed back into WBA's theory of change and institutional impact</b>	This project will help to test WBA's ToC, particularly at the outcome and impact level, deepening insight into what works, what does not work and how the ToC can be improved.

## Mapping the focus regions

The focus regions for this project will be East Africa and South and South-east Asia (for a full list of the countries in scope, see Annex 2). These regions were chosen because the countries within them represent a strategic position in the food value chain. Moreover, despite the overall decline of agriculture's share in these countries' economies in recent decades, the sector remains the predominant employer in nearly all of them. According to World Bank data, agriculture accounts for around 42% of the total employment in South Asia, 35% in South-east Asia and around 66% in East Africa. These figures do not include those living in rural areas who, while not working directly in agriculture, depend on it for their livelihoods. However, it should be noted that the range within the selected countries varies considerably, with the World Bank estimating that only around 11% of Malaysia's total employment is from the agricultural sector, in contrast to Burundi where it is 92%.<sup>20</sup> Nevertheless, it is clear that the sector is central to supporting livelihoods, providing employment, improving food security and reducing poverty.

These regions were also selected because of their strategic position, and therefore exposure, in food system value chains. For example, Indonesia was the world's leading producer and exporter of palm oil in 2019, accounting for around 58% of global production. Together with Malaysia, the two countries make up 84% of total global production.<sup>21</sup> Similarly, agriculture in East Africa is dominated by smallholder mixed farming of key food and cash crops such as maize, tea, coffee and sugar cane, which support both national and international markets. Indeed, many local companies in this region are at the centre of multinational companies' supply chains within the food and agriculture sector and will play a crucial role if the world is to feed 9.7 billion people sustainably by 2050.

Therefore, the challenges and opportunities for keystone companies operating in these regions are twofold. On the one hand, by engaging with those local companies already in their supply chains, keystone companies can help them improve their current practices and minimise some of the sustainability externalities mentioned. On the other, when engaging with *new* suppliers, companies have an opportunity to promote higher sector-wide standards on environmental, nutritional and social dimensions and can be at the centre of driving systems change within the regions. Understanding and comparing such practices by different companies in the Food and Agriculture Benchmark will be a key outcome of this project and offers the opportunity to measure how companies are tackling some of these issues at the local level in these regions.

## Defining what influences sustainability in supply chains

As outlined above, the degree to which a company can demonstrate and contribute to sustainable development in its supply chains is dependent on a large number of factors. These factors can be broadly categorised into two questions:

**(1) How** do keystone companies work through their supply chains? and

**(2) What** affects supply chain performance in terms of sustainability outcomes?

Under the first question, WBA will explore many of the issues raised in the 'Shining a light on supply chain impact' section. These include the ways in which keystone companies govern and manage their supply chains, how they are modelled, the length of these supply chains, the formalisation of relationships through contracts and pricing agreements, and the types of actors (smallholders, SMEs, intermediaries etc.) in them.

Once we have established how keystone companies work through these regional supply chains, the second question will explore the variables that determine how sustainable these supply chains are. These variables include:

**Size and ownership model:** While all 350 keystone companies are billion-dollar enterprises, there are companies such as Walmart, Cargill and Nestlé that have revenues that are tens or even hundreds of times larger than benchmark peers. This size disparity has huge potential impact, both in terms of the reach and influence of the larger companies but also with respect to the capacity they have to invest in the sustainable development of their supply chains. Similarly, publicly listed companies may feel additional shareholder pressure to demonstrate sustainable practices than those that are privately held.

**Geographical location:** Where a company has its operational headquarters is particularly relevant when determining regulatory differences in its home markets compared to countries and regions where it sources raw agricultural materials or sells its products. Standards and legal requirements on issues such as food safety and traceability, animal welfare, and health and safety have no single global framework. Greater environmental, social and health risks are therefore present in countries where there are low levels or weak enforcement of regulations, or a lack of incentives for sustainable business practices,<sup>22</sup> with the potential to create significant geographic imbalances. This issue can be exacerbated in cases where companies do not voluntarily maintain consistent standards across all regions where they are active.

**Types of commodities:** Through the sourcing of large quantities of agricultural products and commodities from across the globe, companies are confronted with substantial economic, environmental and social risks with varying degrees of severity. Despite long-standing awareness of the issue, recent studies suggest the number of children engaged in cocoa production in Côte d'Ivoire and Ghana increased by 13% between 2009 and 2019.<sup>23</sup> Similarly, palm oil, soya and beef, alongside timber, are attributed as the four major commodities driving deforestation and land-use conversion worldwide.<sup>24</sup> Issues such as food loss and waste are magnified in the supply chains of perishable goods such as fresh fruits and vegetables, while sugar cane plantations are often linked to high and unsustainable levels of water withdrawal. Therefore, while material risks exist in the supply chains of almost all agricultural products and commodities, some have historically presented greater or specific environmental or social challenges.

**Codes of conduct:** Codes of conduct are the most common way for companies to implement sustainability practices among suppliers.<sup>25</sup> These codes commonly include standards related to labour rights,

environmental policies and business ethics,<sup>26</sup> are often framed around the UN Global Compact's ten principles<sup>27</sup> and enable companies to set minimum expectations across these and associated topics. However, the scope and depth of these codes can vary greatly between companies, and some may not even be publicly disclosed.

**Monitoring compliance:** Monitoring systems allow companies to assess the extent to which supply chain partners comply with codes and policies put in place. Companies can also engage with suppliers through self-assessments or carry out audits themselves or through third parties. The duration of relationships with suppliers and coordination with these stakeholders can all influence sustainability outcomes,<sup>28</sup> as can the regularity and depth with which companies monitor performance and compliance in their supply chains.

**Capacity building and knowledge transfer:** One of the most direct ways companies can influence sustainability outcomes in their supply chains is by transferring knowledge to their supply chain partners. By assigning human or financial capital to the training of smallholder farmers, cooperatives or SMEs, companies can directly leverage their expertise to help solve supply chain issues. In particular, companies can use capacity building as a means to address high-priority demographic groups such as women and youth, or to help share the benefits of innovative technologies or improved infrastructure.<sup>29</sup>

**Provision of inputs and finance:** One of the major barriers to both sustainable development and the integration of regional actors into multinational supply chains is a lack of finance. While approximately 55% of people in Africa are employed in agriculture, only 1% of bank lending goes to this sector.<sup>30</sup> Public-private collaborations such as blended finance<sup>31</sup> are seen as increasingly important, particularly when addressing climatic and nutritional challenges,<sup>32</sup> although companies also have the capacity to address this issue directly in their own supply chains. Similarly, assisting small producers in accessing improved varieties of seeds and other agricultural inputs can lead to measurable improvements in yield, productivity and overall sustainability.<sup>33</sup>

**Certifications and standards:** The number of voluntary agricultural certification schemes has expanded significantly in recent times. These initiatives focus on specific crops, commodities or species, such as the Roundtable on Responsible Palm Oil, Roundtable on Responsible Soy, Marine Stewardship Council and Bonsucro, or have a broader cross-commodity focus within organisations such as UTZ and Fairtrade International. The area of land being cultivated under these certifications has also grown. Between 2014-2018, the amount of certified cocoa increased by 90%, as did sugar cane (75%) and tea (57%).<sup>34</sup> While these schemes are broadly aimed at improving market access and fairness, encouraging environmental sustainability and supporting social development, they have also been criticised for a lack of evidence of impact, particularly for small producers further down the chain.<sup>35</sup>

**Consultation question: WBA will select a maximum of three variables and assess their influence on supply chain performance and sustainability. Which of the issues listed above should WBA focus on explicitly in this project? Furthermore, does the list above capture the most material topics that influence supply chain sustainability? If not, what should be included?**

## Defining the sustainability issues that influence supply chain impact

As with our selection of companies, this project will narrow our focus and take a deeper dive in terms of identifying a selection of the topics addressed under the benchmark methodology pillars of environment, nutrition and social inclusion. We have highlighted a sub-set of indicators in the benchmark methodology that are expected to have a strong link to, and impact on, supply chains. A focus on regenerative and circular approaches to agriculture, themes that are at the core of the work of both WBA and the IKEA Foundation, have been taken into consideration for the selection of topics. You can find the full overview of topics on [page 16 of the benchmark methodology](#).

In the benchmark itself, best practice on many of these topics will include companies taking action in both their direct operations and supply chains. The latter can take many forms, including responsible sourcing practices, direct engagement with regional partners, capacity building and training, increased access to inputs and capital, and supply chain monitoring. As outlined earlier in this paper, the impact of companies on these topics through their supply chains is potentially significantly larger than the comparable impact of their direct operations. It is therefore increasingly important that keystone companies tackle these issues holistically as part of their contribution to food system transformation. Furthermore, in line with our systems transformation model, at least one topic from each of the three measurement areas will be selected for this project.

### Environment

*GHG emissions:* Currently, the global food system accounts for 21-37% of total net anthropogenic GHG emissions.<sup>36</sup> Of this, 17% comes directly from agricultural activities and an additional 7-14% from land-use changes,<sup>37</sup> making scope 3 emissions – that is, the indirect emissions associated with purchased goods and services, upstream transport and so on across supply chains – a major concern for the food industry.

*Protection of terrestrial natural ecosystems:* Agricultural expansion has caused more than 70% of tropical deforestation globally, as forests are cleared to make way for land to grow crops or raise cattle.<sup>38</sup> A significant proportion of this deforestation is driven by clearing and burning of forests for palm oil plantations across South-east Asia. Some 84% of palm oil is grown in Indonesia and Malaysia alone, with the majority grown by smallholder farmers,<sup>39</sup> requiring companies to work with their supply chain partners to promote sustainable production.

*Soil health and agrobiodiversity:* Current unsustainable agricultural practices have led to the degradation of around a third of the world's soil and caused significant negative impacts to biodiversity and soil health.<sup>40</sup> Promoting regenerative and agroecological approaches across supply chains can lead to increases in agrobiodiversity, boost total productivity and the nutritional status of diets and build resilience while reducing the need for water, synthetic fertilisers and other costly inputs.

*Water use:* Agricultural systems alone account for 70% of all freshwater withdrawals worldwide, and up to 95% in some developing countries.<sup>41</sup> With approximately one third of all irrigated crops grown in areas of high water stress around the world, reducing water withdrawals is a priority issue for food and agriculture companies to tackle across their supply chains.<sup>42</sup>

*Food loss and waste:* Approximately 14% of all food produced globally is lost before reaching the retail segment of the food value chain, with that figure exceeding 20% in South Asia. Particularly relevant for

South-east Asia and sub-Saharan Africa is the loss of cereals and pulses at the harvesting and transportation stages due to a lack of storage facilities and poor handling practices.<sup>43</sup>

## Nutrition

*Availability of healthy foods:* Poor diets are the leading cause of mortality and morbidity worldwide, with 30% of all deaths being diet related.<sup>44</sup> Globally, one in ten people are hungry or undernourished, while one in three adults are overweight or obese. Malnourishment includes issues related to underweight, obesity, nutritional deficiencies and non-communicable diseases. Undernutrition is a major cause of death among children under five. The majority of the world's undernourished people – 381 million – are found in Asia, and more than 250 million live in Africa<sup>45</sup>, where the number of undernourished people is growing faster than in any other region of the world.

*Accessibility and affordability of healthy foods:* Approximately 26% of the global population experiences moderate to severe levels of food insecurity and lacks regular access to nutritious and healthy food,<sup>46</sup> particularly people in low-income communities and countries. Research has shown that a healthy diet is unaffordable for more than 3 billion people and cheaper food is often prioritised by families with less disposable income who are forced to compromise on nutrition.<sup>47</sup> The COVID-19 pandemic has also exposed the significant risk of food insecurity for vulnerable groups.

## Social inclusion

*Child labour:* Worldwide, 70% of child labour is found in the agriculture sector and a significant share occurs upstream in global supply chains<sup>48</sup> in activities such as the production of raw materials. This creates challenges in ensuring companies' due diligence and transparency. As stated by ILO Director-General Guy Ryder, "Efforts against child labour in global supply chains will be inadequate if they do not extend beyond immediate suppliers and include those involved in the extraction and production of raw materials."<sup>47</sup>

*Living wage:* Two thirds of the global population living in extreme poverty (on less than USD 1.90 per day) are agricultural workers and their dependents. They are disproportionately exposed to income insecurity as rural employment is typically informal, seasonal and underpaid. As author Matt Uhler put it, 'When a profitable company does not ensure a living wage is paid, it is pushing onto the most vulnerable people in its supply chain the negative impact of its business model.'<sup>49</sup>

*Farmer productivity and resilience:* Globally, more than 80% of smallholders operate in local and domestic food markets. These produce between 28-31% of total crop production and 30-34% of global food supply.<sup>50</sup> Though smallholders make up a significant proportion of global food producers, they often lack efficient market linkages and market access. Poor market linkages substantially increase transaction costs and postharvest losses. Offtake agreements on prices and quantity, for instance, can facilitate long-term stability and access to fair and transparent market environments for smallholders.

**Consultation question: As above, WBA will select a handful of these sustainability issues to focus on in this project. Which of the issues listed should WBA include? And how can WBA capture the impact of company supply chains with regards to workers, local communities and (smallholder) farmers?**

## Methodology

While WBA's Food and Agriculture Benchmark will cover the 350 most influential companies within the sector, for the purpose of this project, we will only select 30 companies from this sample and aim for 15 per region. This number strikes a good balance between our internal capacity and the sample size required to adequately compare the selected companies with one another to deliver meaningful results and insights while acting as an extension of the wider benchmark. The selection of the 30 companies has not been finalised yet, although selection criteria will include a significant supply chain footprint in one or both of the specified regions and a diversity of companies in terms of their position in the food value chain. The selection will be finalised in mid-2021, after the end of the company data collection period for the benchmark.

Data collection to measure the outcomes of the project on these 30 companies will be implemented in two stages, utilising both quantitative and qualitative approaches. Firstly, WBA will conduct a deep dive into the supply chain governance, characteristics and activities of the companies by sending them surveys that focus explicitly on supply chain issues. The topics to be covered are currently being finalised but will include many of those introduced throughout this paper. Furthermore, they will focus on supply chain topics that are not specifically addressed by the wider Food and Agriculture Benchmark. These include negotiating practices for new contracts with suppliers, mechanisms for collecting data and specific programmes that look to improve, or maintain, high sustainability standards with supply chain partners. The purpose of this first stage is to understand the current supply chain dynamics of these companies from their publicly disclosed information and the data they provide through the surveys, which will be used to create a baseline assessment and understanding.

The second stage of data collection will take a more qualitative approach by focusing on the perspective of companies' regional supply chain partners. This will be done primarily by conducting interviews or organising round tables with these partners. The aim is to assess whether the data collected from keystone companies for the benchmark and this project is reflected in companies' supply chains and whether companies are implementing what they have stated publicly they will – in short, whether the companies' benchmark performance reflects what is experienced by their regional partners. Moreover, this stage of the data collection process will offer the opportunity for the regional companies to highlight how they perceive their relationship with the keystone companies. Indeed, the interviews will focus on topics such as their relationship with keystone companies, how this relationship has changed over time and to what extent the keystone companies provide support to tackle sustainability issues. This approach will be a key part of the project, as it will extend the findings of the Food and Agriculture Benchmark to incorporate the perspective of local companies and actors operating in these regions. Moreover, it offers the opportunity to capture what these local companies and regional actors are doing themselves on some of these topics, independently of the keystone companies, as well as the impact this has on relevant stakeholders within these regions (e.g. workers, farmers and/or consumers).

This mixed methods approach is designed to allow triangulation of the data captured on the supply chain performance of the keystone companies and will support the overall validity of the results and insights that subsequently emerge. Data collection from both companies and their regional partners is scheduled to begin at the beginning of Q4 2021.

## Measuring impact over time

In practice, the methodology outlined above could result in WBA evaluating the selected keystone companies according to a four-part model:

<p>Overview of the company's regional supply chain (focus on specific commodities and/or suppliers)</p>	<p>This section will give an overview of the company's regional supply chain based on publicly available data and information gathered directly from the company (focusing on <b>how</b> the company works in the region). This could include details on:</p> <ul style="list-style-type: none"> <li>• governance and responsibilities for implementing and monitoring supply chain sustainability</li> <li>• the reach and length of the regional supply chain, including actors within it</li> <li>• where and from whom the company sources commodities or products (smallholders, cooperatives, SMEs, intermediaries etc.)</li> <li>• details of relationships with regional partners, including time spent working together, contracts, sharing of risks and benefits etc.</li> </ul>
<p>Company performance in relation to supply chain sustainability in the Food and Agriculture Benchmark</p>	<p>This section will summarise company performance on key sustainability topics, focusing on supply chain performance (for instance, how the company performed in the benchmark in relation to tackling food loss and waste, child labour and availability of healthy food in its supply chains, based on publicly available data and information provided by the company during benchmark data collection).</p>
<p>Insight from regional partners</p>	<p>This section will focus on the output from engagement with a sample of the company's regional partners. It will include partners' own reflections on their role in the company's supply chain, the dynamics, relationships and characteristics of the supply chain, and the extent to which the company is supporting these partners to tackle key sustainability issues, thereby amplifying the voices of those who sit in the company's supply chains. It will also include any evidence of regional partners undertaking their own efforts to tackle these key sustainability issues.</p>
<p>Evaluating overall supply chain impact, including influencing factors and relationship with benchmark performance</p>	<p>The final section will evaluate the overall impact of the company through its supply chains. It will reflect the relationship between the company's performance in the benchmark and the measurable impact it is having in the region by co-evaluating the data collected from both the company and its regional partners. There will also be an assessment of <b>what</b> the influencing factors are behind the company's supply chain impact (for instance, whether the location of the company's headquarters or the extent to which it supports regional partners through capacity building has had a significant influence on the way in which it seeks to tackle sustainability issues in its supply chain).</p>

To gain a clear picture of keystone company supply chain impact over the three-year project period, which will encompass two full rounds of data collection and evaluation, it will be necessary to establish a baseline and measurable key performance indicators (KPIs) to track progress. These KPIs can measure progress both for individual companies as well as the entire group of selected companies across the identified key sustainability issues. As outlined in the previous section, a mixed methods approach involving survey questions and semi-structured interviews will enable a deeper and more comprehensive assessment to

capture this. For the keystone companies, this will be via surveys to capture elements of their supply chain governance and performance, in addition to data gathered through the benchmark. When engaging the regional companies, this will include questions that allow for both quantitative and qualitative data capture. For the quantitative data, this could be through asking regional suppliers (via an initial email or in the interview itself) questionnaire-style, Likert scale scoring questions that range from ‘strongly disagree’ to ‘strongly agree’ on topics such as:

- *I am satisfied with the length of the contract I have been offered by the company.*
- *The company shares the risks and benefits of production fairly.*
- *The company has communicated its business expectations and regularly monitors compliance with these.*
- *The company provides financial support and/or capacity building to help tackle the issue of ... (child labour, food loss and waste, availability of healthy foods etc.).*

These questions would then be followed by broader, more unstructured interview-style questions that ask the regional companies how they ‘feel about’ and ‘perceive’ these issues in relation to the keystone company. This approach has the benefit of allowing the project to establish a quantifiable baseline that can be measured year-on-year while similarly capturing the ‘story’ behind each response and generating insights, or case studies, of why the regional company feels the way it does in relation to various topics. Indeed, these KPIs, which will be developed across all chosen sustainability topics, can supplement qualitative evidence gathered from regional partners to shine a brighter light on **how** keystone companies work through their regional supply chains, the dynamics of these relationships and how they may change over the three-year project period. This will allow the project to capture whether keystone companies, both individually and holistically, are improving supply chain performance and increasing their impact across the two rounds of evaluation that will take place.

**Consultation question: How can WBA best capture the perception of regional companies using quantitative methods? Similarly, which quantitative methods will allow WBA to measure impact (and change in this impact) most effectively over the project’s three-year duration?**

## Limitations

While it is relatively early in the project’s implementation, discussions with Allies and other stakeholders identified potential limitations and challenges, as well as possible mitigation measures.

### Engaging keystone companies and their regional partners

An initial challenge will be how to approach keystone companies’ regional partners. While WBA is taking steps to form strong relationships with keystone companies through the wider benchmark process, these companies may be reluctant to disclose the full list of their supply chain partners as this information may be perceived as confidential and sensitive. This includes the relevant data needed to measure their footprint in these regions, such as operational presence, employees or sales figures. Moreover, engaging with the regionally based companies could prove difficult. Firstly, many of these companies might be difficult to reach or even identify (because of a lack of contact information or website) without the support of the keystone companies. This does not take into account more logistical issues such as language barriers or the willingness and availability of the regional companies to be interviewed. Secondly, regional partners may feel reluctant to comment on their relationship with a keystone company because they do not want to jeopardise this

relationship going forward. Similarly, WBA could find that regional companies will only speak positively of the keystone companies for the same reason, and therefore the results of the data collection phase will not accurately reflect what is being implemented in practice. In order to address this issue, WBA has considered anonymising interviews with the regional partners so that they feel comfortable talking about the topics presented without jeopardising their business relationship with the keystone company.

### **Unrepresentative sample of the food and agriculture sector**

One limitation that has been considered is that it will be difficult to extrapolate the findings from the project to the wider food and agriculture sector. By selecting only 30 companies, it will be hard to present broad generalisations of the sector. Moreover, the qualitative data will only reflect the feelings and perceptions of the actors who were engaged. Similarly, the structure and position of these companies' supply chains are not representative of the entire sector. For example, some companies may have greater exposure to a certain type of supplier, such as agricultural commodities and products, whereas others may rely more heavily on others, such as materials and machinery. This will contribute to some segments of the value chain being underrepresented in the findings, as the sample does not reflect the sector as a whole. However, this limitation is not perceived as too significant, as the primary aim of the project is not to illuminate the sector's entire supply chain but rather to present a deep dive into supply chains where this is possible. The results will still be of interest to other keystone companies, providing them with an understanding of how their peers are addressing similar issues, as well as external stakeholders, who will be able to hold other companies accountable by comparing the supply chain performance of one company to another. Moreover, to mitigate the issue of an unrepresentative sample, we will strive to include companies from a wide range of food and agriculture value chain sub-sectors to ensure that a diverse range of perspectives is captured and measured.

### **Availability of data**

As touched upon in previous sections, a significant challenge is the lack of available data on companies in the focus regions. The reality is that many of the regional companies do not have systems, approaches or mechanisms in place for tracking the relevant sustainability data that keystone companies increasingly demand when trying to measure their supply chain impact (e.g. GHG emissions or occupational health and safety figures). This is primarily due to the fact that while sustainability reporting has become mainstream for large companies based in North America, Europe and parts of Asia-Pacific and Latin America, the practice is relatively new for both large companies and SMEs based in the countries in scope for this project. For example, we have identified only 228 sustainability reports in East Africa disclosed by 164 organisations. When large companies are removed from the sample, this figure drops to 64 reports disclosed by 94 organisations. In contrast, in South Africa alone, 2,971 reports have been disclosed by 411 organisations, or 524 reports by 87 organisations when large companies are removed.<sup>51</sup> Contributing to the lack of available data is the fact that there is limited policy or regulation in the focus regions<sup>52</sup> to support the disclosure of the supply chain data required for this project. Although this situation is changing, the regulatory environment for sustainability disclosures is still relatively immature. Where regulation does exist, it is predominantly for larger, publicly listed companies that are generally beyond the scope of this project.

**Consultation question: How can WBA engage regional suppliers in (a) situations where the desired information may be sensitive or confidential and (b) contexts where little regulation exists on sustainability disclosure?**

## Annex 1: WBA's funding partners



## Annex 2: Countries in scope

The countries listed will not all be covered in the project but represent the geographical boundaries within which WBA will consider engaging regional companies.

East Africa	South and South-east Asia
Burundi	Bangladesh
Ethiopia	Cambodia
Kenya	India
Madagascar	Indonesia
Malawi	Laos
Mozambique	Malaysia
Rwanda	Myanmar
Somalia	Pakistan
South Sudan	Philippines
Tanzania	Sri Lanka
Uganda	Thailand
Zambia	Vietnam

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