



# Driving impact in food and agriculture supply chains: the role of benchmarking

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# Executive summary

The supply chains of food and agriculture companies are often where the most sustainability-related impacts occur: these chains span regions such as the Amazon that are at high risk of deforestation and areas like West Africa where child labour is seen as prevalent. This global reach makes the lack of transparency in the sector's supply chains all the more concerning. Data from the WBA's Food and Agriculture Benchmark shows that 282 (81%) of the 350 companies assessed do not disclose any of their suppliers. Moreover, suppliers perceive a clear lack of support from the companies they service, including capacity building and training on key issues such as becoming certified. Benchmarking can address this lack of transparency by encouraging more sustainable practices within and by companies. However, the extent of benchmarking's influence on companies' supply chains has yet to be fully analysed. In partnership with the IKEA Foundation, WBA has sought to close the information gap through this report.

Benchmarking initiatives can help to hold companies accountable for their response to global issues, from tackling climate change, halting biodiversity loss and reducing global inequality, to improving the livelihoods of people and workers. But what influence do benchmarks have on changing business behaviour and promoting sustainable practices beyond companies' own operations? Moreover, how do suppliers perceive companies' sustainability-related policies and commitments? While interest in the sustainability performance of food and agriculture companies' own operations is well established, it is only in recent years that this has extended to companies' supply chains where most of their impact is in developing countries. However, the availability of data on these supply chains is limited. Companies cannot manage what they do not measure and the lack of transparency and traceability in companies' supply chains is particularly concerning if companies are expected to play a role in transforming the food and agriculture system.

Therefore, the aim of this project was to analyse the impact of food and agriculture companies on their supply chains. The analysis focused on companies in scope of WBA's 2021 Food and Agriculture Benchmark. Using data from the benchmark and interviews with suppliers, this report presents three key findings:

1. A low level of public disclosure by food and agriculture companies about their supply chains is preventing change in the sector.
2. Food and agriculture companies are not providing significant direct support to suppliers, particularly regarding the certification process.



3. Suppliers view companies' policies and commitments as important for supporting sustainability practices.

The findings suggest that the sector is performing poorly when it comes to promoting and investing in sustainable practices along companies' supply chains. This is worrying as it is precisely in supply chains where most of food and agriculture companies' impact on sustainability issues occurs. For example, research by the World Economic Forum indicates that for a typical food retailer, only about 5% of its greenhouse gas (GHG) emissions are from direct manufacturing while emissions generated in the supply chain can be 5-10 times higher (Lesser, 2021). Despite this, companies are doing little to directly help suppliers address the reduction of emissions beyond their own operations. Our research finds that what suppliers say about companies correlates with how companies performed on the relevant indicators in the benchmark regarding direct support, primarily on becoming certified. However, a general lack of disclosure about company supply chains makes it difficult to establish a direct link between companies' performance in the benchmark and the behaviour of their suppliers. Nonetheless, suppliers' positive perception of companies' publicly disclosed policies and commitments suggests that benchmarks can be an important tool for driving change in the sector as part of a wider ecosystem of actors holding companies accountable. Going forward, this report recommends that companies provide more direct support to suppliers in developing countries to promote sustainable practices. Furthermore, companies should improve their public disclosure regarding their supply chains.

While some food and agriculture companies have already taken significant steps to address these issues by publicly disclosing their suppliers and establishing programmes to support smallholder farmers in their supply chains, most companies are lagging and preventing the transformational change needed in the sector to meet the Sustainable Development Goals (SDGs). Without such disclosure, companies cannot adequately measure the true impact of or be held accountable for their business practices in developing countries because they have insufficient insights into where they are most at risk of sustainability-related issues. For example, without a strong traceability system to monitor where they source their commodities from, companies cannot identify and invest resources in minimising their risk to issues such as deforestation or abuse of labour rights. By publicly disclosing supply chain information, companies can take the first steps towards working with governments, non-governmental organisations (NGOs) and civil society organisations to address these issues.





# Supply chains in the food and agriculture sector

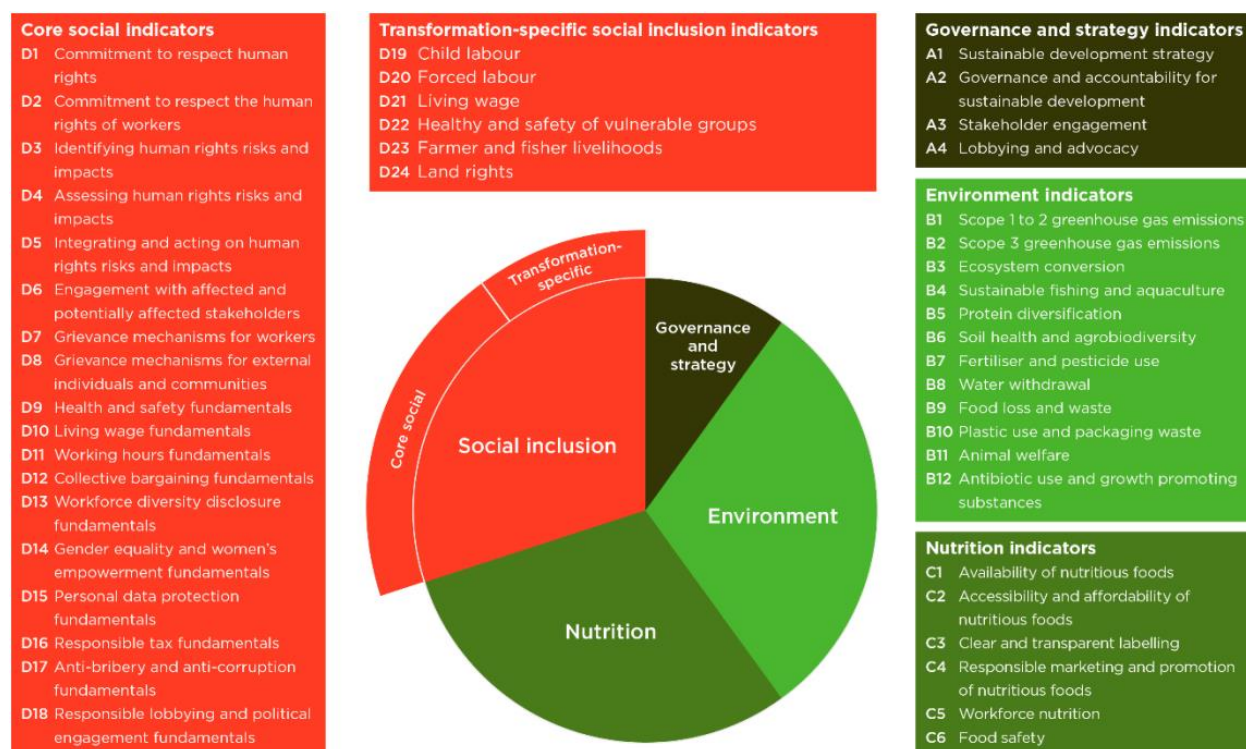
## WBA's Food and Agriculture Benchmark

WBA's Food and Agriculture Benchmark was the first to assess the performance of 350 of the most influential multinational food and agriculture companies along the entire food and agriculture value chain. The benchmark encompasses companies active in the agricultural inputs, agricultural products and commodities, animal protein, food and beverage processing and manufacturing, retail and food service segments. In accordance with the methodology, outlined in Figure 1, the assessment spans 45 indicators across four measurement areas on the interlinked themes of food systems transformation: governance and strategy, environment, nutrition and social inclusion.

The benchmark was launched alongside the 2021 United Nations Food Systems Summit, a critical moment that underlined the interconnectedness of food systems and global challenges such as hunger, climate change, poverty and inequality. The benchmark aims to serve as an accountability tool to assess companies on their operations and value chain activities. Results from the 2021 benchmark demonstrate that the food and agriculture sector is not on track to transition to a sustainable food system. Our findings reveal worrying gaps in the industry's preparedness for climate change, progress on human rights and contribution to nutritious diets. While pressure on the sector is mounting, many major companies continue to operate within 'business as usual' parameters and insufficiently contribute to achieving the SDGs or meeting the Paris Agreement.



FIGURE 1: OVERVIEW OF INDICATORS IN THE FOUR MEASUREMENT AREAS



An updated methodology will be published in December 2022 and used to assess companies in the next iteration of the benchmark in 2023. This will present the first opportunity for WBA to measure progress against the indicators used for the food and agriculture sector and to ascertain whether companies are on track to meet the 2030 Agenda for Sustainable Development. With less than a decade to go, it is imperative to act now. Companies from across the sector must become successful drivers of change and demonstrate strong, equitable and innovative leadership. We look forward to working with companies and the members of our [Alliance](#) to help achieve this.

Despite growing interest in recent years, there has been little research into the influence of benchmarking initiatives on food and agriculture's supply chains. 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 general lack of transparency resulting from minimal corporate disclosure. Due to this lack of transparency, it is difficult to measure how sustainability-related programmes improve the practices and livelihoods of suppliers. Moreover, while benchmarking initiatives reward publicly disclosed policies and programmes addressing sustainability issues, benchmarking's influence on the sustainability practices of companies in their supply chains remains poorly understood. Similarly, how suppliers perceive such policies and whether suppliers consider them as useful in addressing sustainability issues is also largely unknown. Therefore, building on the work of the 2021 Food and Agriculture Benchmark, the purpose of this project was to answer two questions:

- 1) *What influence does benchmarking have on improving the sustainability practices of keystone companies' suppliers in developing countries?*
- 2) *How do suppliers in developing countries perceive the effectiveness of keystone companies' sustainability-related policies in promoting more sustainable business practices in food and agriculture supply chains?*

While interrelated, the questions cover two different angles in terms of measuring the sustainability practices of keystone companies and their supply chains. The first question focuses on the general influence of benchmarking on improving sustainability practices among keystone companies and how this filters into companies' supply chains. The second question focuses on suppliers' perception and how important they feel companies' publicly disclosed policies are in addressing sustainability issues. Both questions are aligned with WBA's theory of change, with this analysis specifically seeking to assess whether benchmarking initiatives can influence company behaviour towards more sustainable practices.

## Project design

The data collection for this project used a mixed-methods approach. The primary source of data collected was interviews with a group of suppliers in keystone companies' supply chains. Semi-structured interviews were conducted with 11 suppliers who produce the following commodities: tea, cocoa, coffee and grains. The suppliers are based in Ghana, Kenya and Bangladesh. A list of the suppliers who were interviewed can be found in Annex 1. To supplement the interviews, we used secondary data analysis and descriptive statistics from the 2021 Food and Agriculture Benchmark and information submitted to WBA by keystone companies. This allowed for a mix of quantitative and qualitative data analysis, helping us to draw a more complete picture. In social science research, this mixed methods approach can be thought of as 'adding meat to the bones' of findings, whereby the qualitative analysis complements the quantitative analysis by adding depth to the numbers (Bryman, 2012).

This project faced several limitations. Primarily, the sample of suppliers who were interviewed represents a small fraction of the hundreds of thousands of suppliers that keystone companies work with across their global supply chains. Therefore, it is difficult to make generalisations based on this small sample. Similarly, not all commodities and regions within the food and agriculture industry are represented, meaning certain sustainability issues were given more consideration than others. For example, in the cocoa industry in West Africa, the issue of child labour is more prevalent than in other commodities. By contrast, the loss of natural habitats and deforestation is a key issue in the tea industry in East Africa. Although we reached out to approximately 150 suppliers, who were identified based on the public disclosure of keystone companies and through our Allies between June-September 2022, most did not respond. Moreover, many were hesitant to participate in the project. There are several reasons for this, including reluctance to comment on companies and potentially put a strain on business relationships as well as a lack of interest in or capacity to take part. On the first point, WBA is aware that this might have affected suppliers' responses and that they were possibly more positive about companies in their answers, despite interviews being conducted anonymously, for fear of degrading their business relationships. These are lessons learned for future projects and something WBA considered when conducting the analysis.





## Zooming in on supply chains in the food and agriculture sector

Food and agricultural supply chains are not transparent for several reasons. First, companies and suppliers have feared that disclosing too much information would undermine their competitive advantage or expose them to criticism from stakeholders. Second, the relevant information, such as details of upstream supply chain practices, may not be collected, or if it is, it may be incorrect. Finally, the investment required to improve transparency does not always match with near-term requirements such as profit or revenue maximisation (Bateman and Bonanni, 2019).

The lack of transparency is alarming considering that companies' environmental and social impact is often far greater in their supply chains than their own operations. It is estimated that the impact of food and agriculture companies' supply chains on natural capital, such as air, soil and land, is 24 times higher than the impact of direct company operations. Similarly, indirect scope 3 GHG emissions are estimated to be 5.1 times higher than direct scope 1 and 2 GHG emissions in the agriculture sector (Li et al, 2014). Moreover, inequality and human rights abuses, while endemic in the global economy, are often more prevalent in supply chains, particularly in agriculture, when it comes to issues such as child labour, forced labour and paying a living wage (Nestor, 2013). These issues have only increased in scale in recent years because of global events. The World Business Council for Sustainable Development (WBCSD), a WBA Ally, published an issue brief on vital supply chains, highlighting how existing issues and inequalities in food and agricultural supply chains have been exacerbated by the COVID-19 pandemic (WBCSD, 2021). Among these are limited access to resources and credit for 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: companies need to know where their commodities and products come from. Without this information, it is impossible to measure impact or shift practices. Greater transparency can play a significant role in demystifying complex supply chains, helping stakeholders to identify and minimise risk and improving conditions for workers on the ground (Gardner et al., 2019). Furthermore, it is in companies' interest to proactively manage and disclose their supply chains, so that they are not reacting to potential scandals resulting from a lack of transparency on sustainability issues. Disclosure is improving in some areas, particularly in relation to commodities such as palm oil and cocoa, thanks to the work of certification schemes such as the [Rainforest Alliance](#) and the [Roundtable on Sustainable Palm Oil \(RSPO\)](#), both WBA Allies. However, it is rare for companies to disclose supplier information beyond their tier 1 supply chain partners (i.e. supply chain partners that companies directly source from and conduct business with, often manufacturers or processors).

## Benchmarking and sustainability in the food and agriculture sector

To encourage greater corporate transparency and improved business practices, benchmarking food and agriculture companies' performance on sustainability issues has a role to play. Benchmarks help to clarify what stakeholders expect of companies and show how companies perform in comparison to their peers. The act of learning from the best practices of high-performing companies contributes to standardised practices that can help entire industries improve and, specifically, help a company to understand how to achieve and maintain strong sustainability performance (Hasan et al., 2019). This evidence informs and enables dialogue and collective action by stakeholders and companies and supports effective policy interventions. Benchmarks also demonstrate the practical steps companies can take to fulfil commitments and meet globally recognised targets, such as achieving net-zero GHG

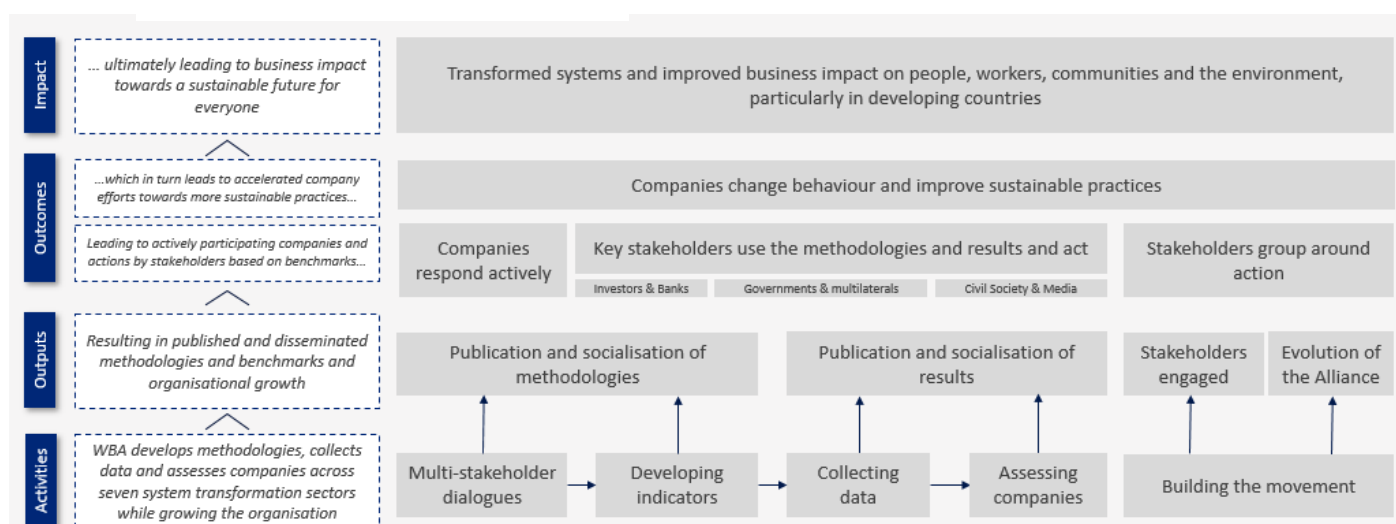




emissions in line with the Paris Agreement, or SDG 2 (zero hunger) by 2030. By harnessing companies' competitive spirit, benchmarking promotes a race to the top in which leaders are motivated and incentivised to do more while laggards are inspired to catch up (ISEAL, 2019).

There is currently little literature on the effectiveness of benchmarks in influencing company behaviour, primarily because sustainability-related benchmarking initiatives are a relatively new phenomenon and the influence of benchmarks on companies takes time. Nonetheless, the [FAIRR Initiative](#), a WBA Ally, provides some analysis on this topic. Through its Protein Producer Index, FAIRR evaluates 60 global publicly traded firms active in animal and/or aquaculture products on nine related sustainability risk factors. FAIRR reports that since the publication of its indexes and through its engagements with the companies evaluated, there has been a greater commitment to reduce emissions across animal agriculture value chains, from 29% of companies in 2019 to 68% in 2021 (Deconinck and Hobeika, 2022). While FAIRR does not establish a causal relationship, the study highlights how benchmarks can contribute to change in company behaviour when well positioned within a multi-stakeholder ecosystem. Combined with pressure from stakeholders using the data produced by benchmarks, such as policymakers, investors and consumers, benchmarks can be catalysts for promoting sustainability practices among companies. This line of analysis forms the basis of WBA's theory of change (Figure 2), which outlines how WBA's activities and subsequent outputs lead to the outcomes and impacts that deliver our mission.

FIGURE 2: WBA'S [THEORY OF CHANGE](#)



While it is too early to draw any conclusions regarding the impact of WBA's Food and Agriculture Benchmark (we will have more insights after the benchmark's second iteration in 2023), WBA has measured an improvement in performance among a sample of keystone companies through its [G7 Sustainable Supply Chain Initiative](#) study. During the 2021 G7 deliberations, 22 of the most influential food and agriculture companies, representing USD 500 billion in annual global revenue, equivalent to around 8% of the group revenue of the 350 companies in the scope of the Food and Agriculture Benchmark, pledged to improve the environmental, social and nutritional impact of their business operations and supply chains. Over three-quarters of companies in that study made improved disclosure on at least one topic deemed crucial for food systems transformation. This is reason for optimism, as companies demonstrate they are continuing to improve their disclosure about actions



and impact on key topics on the food systems transformation agenda. It also demonstrates that engaging companies through benchmarking initiatives can induce companies to improve their disclosure about key sustainability topics.



Furthermore, it is in companies' interest to promote sustainability initiatives in their supply chains. Studies reveal that such initiatives and practices can have positive effects on product quality, customer satisfaction and efficiency (Li et al., 2014). This has prompted some food and agriculture companies to promote and reward suppliers for sustainability-related programmes. For example, in August 2022, Coca-Cola Europacific Partners (CCEP), the world's largest Coca-Cola bottler and a keystone company in WBA's benchmark, announced the launch of a new sustainability-linked supply chain finance programme that rewards suppliers for improving their environmental, social and governance (ESG) performance, in collaboration with the Netherlands-based Rabobank (Mattinson, 2022).

# The role of benchmarking in food and agriculture supply chains

## Key findings

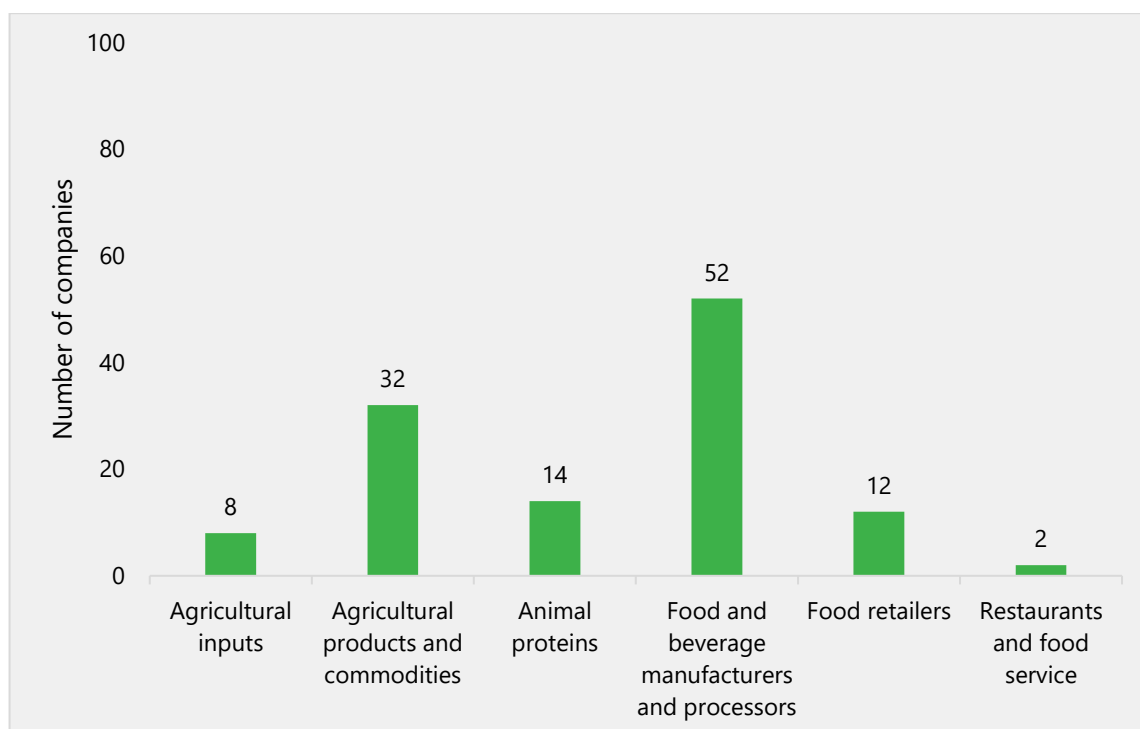
### Food and agriculture companies perform poorly when it comes to disclosing their suppliers

Food and agriculture companies disclose little public information about their supply chains. Of the 350 keystone companies in the scope of the benchmark, only 68 (19%) provide some form of disclosure about their suppliers. This is very concerning, as it suggests most food and agriculture companies have little to no idea about the extent of their supply chains. In our assessment we focused on companies that disclosed at least one supplier. Considering that these companies often work with thousands of suppliers, it is even more worrying that less than one in five companies disclose *any* supplier. Indeed, among the 68 companies, the level of disclosure varies dramatically. On the one hand, leaders within this sample, including Unilever and Nestlé, disclose the names and geolocations of suppliers for the commodities they source, including tier 1 and tier 2 suppliers. On the other hand, some companies only provide disclosure about their tier 1 suppliers. Ironically, tier 1 suppliers are often other keystone companies or other large multinationals based in Europe or North America, with little to no information given on suppliers beyond this level.

In terms of their position in the value chain, the types of companies who disclose information about their suppliers also correlates with their segment's wider performance in the benchmark. In the 2021 benchmark, on average, companies in the value chain segment food and beverage manufacturers and processors performed best in the benchmark, while restaurants and food service companies performed the worst (WBA, 2021). As illustrated in Figure 3, this corresponds with each segment's disclosure about their suppliers. Food and beverage manufacturers and processors disclose the most, with 52 companies providing some form of disclosure, representing 43% of the total. In contrast, only two restaurants and food service companies disclose their suppliers, representing 1% of the total.



FIGURE 3: NUMBER OF COMPANIES DISCLOSING THEIR SUPPLIERS



**Note:** Multiple companies are vertically integrated or have diversified business activities and are therefore classified in more than one value chain segment. Therefore, the total number is 120 rather than 68.

Moreover, companies who disclose their suppliers generally performed better in the benchmark. As the table below illustrates, the median total score of companies who disclose their suppliers is 34.3 whereas it is 15, or less than half, for those who do not disclose their suppliers. Similarly, this is reflected in companies' overall ranking in the benchmark, with the median ranking of companies who disclose their suppliers being 65 whereas those who do not is 198.

Public disclosure of suppliers	Median total score of companies	Median ranking of companies
Yes	34.3	65
No	15	198

This data can be interpreted in two ways. On the one hand, it suggests that disclosing suppliers has a catalyst effect when it comes to disclosure about other sustainability topics. Companies who disclose suppliers are potentially more likely to have better policies and systems in place to address sustainability issues in their sourcing practices. On the other hand, it can also mean that companies that have better policies and systems are more likely to start disclosing their suppliers. Either way, it is clear that the Food and Agriculture Benchmark rewards such policies and systems considering the total scores and rankings of companies is higher for those disclosing suppliers.





## **Companies provide little direct support to suppliers despite their policies**

Across all suppliers, respondents felt that keystone companies do not provide sufficient direct support for capacity building and training to promote more sustainable business practices. As noted in the quotes below, the primary support suppliers said they receive from external parties regarding sustainability issues is from their national governments and NGOs. These NGOs are usually the certifiers themselves, such as the Rainforest Alliance, or certifiers' local partner organisations such as cooperatives or commodity-specific associations. Where keystone companies do support suppliers, it is often through external partners.

**“The companies are interested in higher yields, but to achieve this, we must do this ourselves or with help from others. For example, the government or local NGOs.”**

**Tea and grain supplier, Bangladesh**

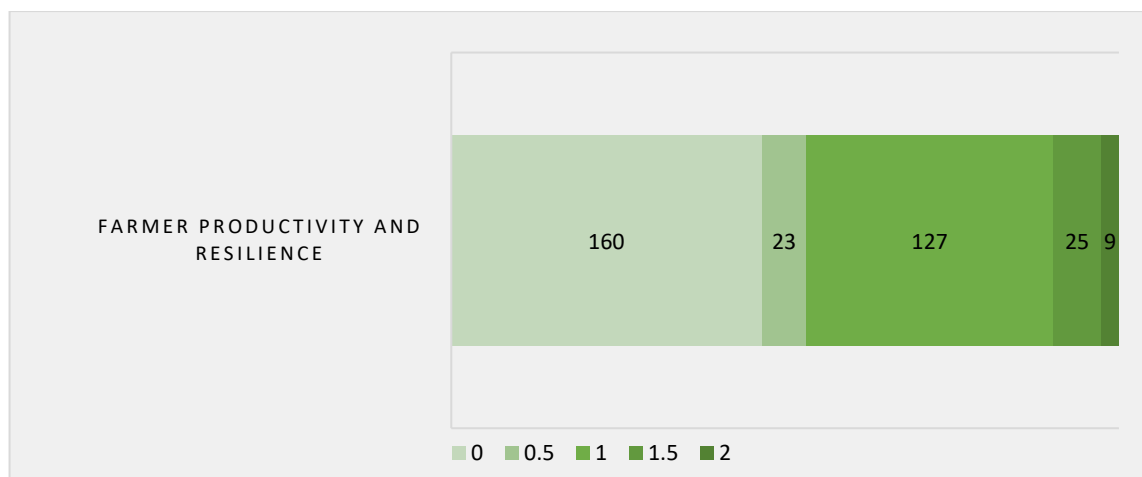
**“The companies do not directly support us but through other organisations or through other communication channels...The farmers get support also to be compliant based on the training materials the companies send us, but this is not directly done by them but by local organisations.”**

**Tea supplier, Kenya**

This view is supported by data from WBA's 2021 Food and Agriculture Benchmark. As illustrated in Figure 4, less than half of the keystone companies assessed – 161 out of 344 (47%) – provide evidence of activities, such as programmes, training or finance, that support farmers and/or small-scale producers. This low number is even more concerning when one considers that of these 161 companies, only 34 (10%) demonstrate that they are measuring the outcomes and impact of their support activities for farmers and small-scale producers. This latter point is key, as measuring such outcomes allows companies to understand the impact of their interventions and reflect on how to improve in future engagements with suppliers.



FIGURE 4: NUMBER OF COMPANIES PER SCORE CATEGORY ASSESSED ON THE FARMER PRODUCTIVITY AND RESILIENCE INDICATOR IN THE 2021 BENCHMARK



*For each indicator in the 2021 Food and Agriculture Benchmark, a company could receive a score of 0, 0.5, 1, 1.5 or 2, in accordance with the [scoring guidelines](#). Not all indicators were applicable to all companies. Therefore, the sum of each category does not equal 350 (this also applies to Figure 5).*

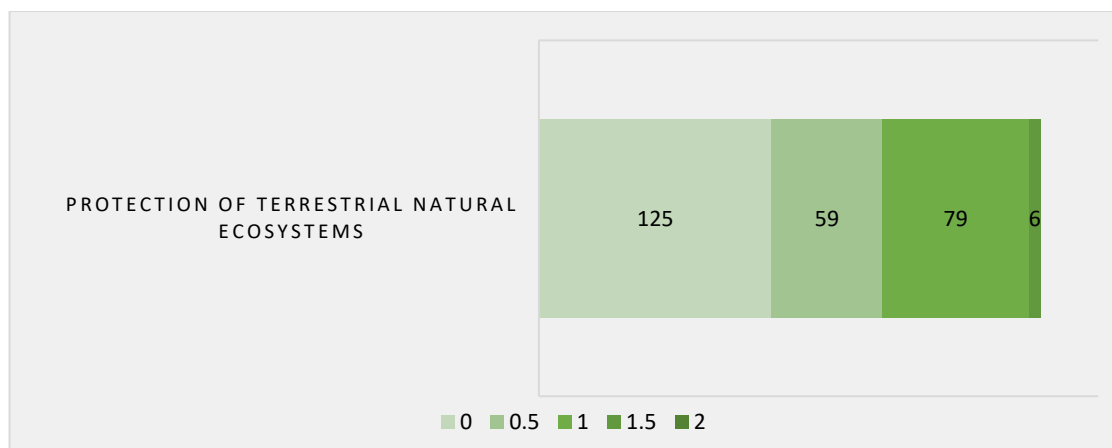
The most frequent area where suppliers felt keystone companies did not support them was getting certified to recognised standards. Keystone companies are increasingly adding requirements to their sourcing policies which state that the commodities they buy are certified to internationally recognised standards. Certification schemes include the Rainforest Alliance, Fairtrade International and Good Agricultural Practices (GAP), all of which respondents named. The issue of certification was especially important to suppliers because getting certified is the most effective way for them to access the supply chains of keystone companies and to be paid a premium price for their commodity. All the Bangladeshi respondents noted that the door to companies' supply chains is effectively closed until they get certified. However, the certification process often takes significant time, and respondents do not feel keystone companies provide meaningful support during this process. Suppliers often find themselves in a situation where they are unable to access companies' supply chains until they are certified but do not receive the necessary support from companies to get certified. By requiring certification but not supporting, food and agriculture companies are establishing barriers that hinder progress on key sustainability issues such as poverty alleviation or conservation issues.

**“The door is not even open to get access to the company unless we have this certification [Good Agricultural Practices]...however this process often takes up to two years.”**

**Tea supplier, Bangladesh**

This lack of support is confirmed by data from the Food and Agriculture Benchmark. As shown in Figure 5, of the 269 companies assessed on the indicator relating to efforts made by keystone companies to ensure deforestation-free supply chains for high-risk commodities, only 144 (53%) provide qualitative evidence of sourcing from suppliers with certification schemes. Of these 144, only 75 (28%) have a target for at least one of the relevant high-risk commodities they source to be fully certified, suggesting the sector is lagging when it comes to sourcing from suppliers who are certified.

FIGURE 5: NUMBER OF COMPANIES PER SCORE CATEGORY ASSESSED ON THE PROTECTION OF TERRESTRIAL NATURAL ECOSYSTEMS INDICATOR IN THE 2021 BENCHMARK



The issue of certification highlights the power imbalance between suppliers and keystone companies in food value chains. Respondents said that they often bear most of the cost of becoming certified. However, it is the buyers of the product (food retailers, manufacturers and processors) who benefit from the certification scheme as they can sell the end product to consumers at a higher price. Respondents noted that this issue could be mitigated if suppliers received a premium price for the commodity they sell. Nonetheless, it is evident that suppliers are dependent on keystone companies to ensure that the profits made from selling the product filter down the supply chain to the suppliers and farmers they work with.

**“By becoming certified, the farmers can charge a premium price for the coffee they want to sell...but a lot of the certification costs are still on the farmer. [Farmers] get help from certification programmes and NGOs but not from the big companies.”**

**Coffee supplier, Kenya**

### **Suppliers are positive about companies’ public policies**

A notable finding from the interviews is that respondents generally view keystone companies’ publicly disclosed policies as important for promoting sustainable practices, particularly in terms of which sustainability issues they should focus on and how they should address them according to internationally recognised standards. As explained by a Bangladeshi supplier, companies’ policies send a signal to suppliers to align their business practices on sustainability issues.

**“The policies and commitments made by companies are useful, yes. They send a signal to us on what we need to do to work with them and give guidance on sustainability issues.”**

**Tea and grain supplier, Bangladesh**

Moreover, respondents noted that to maintain the relationship with keystone companies and continue to sell their products, it is crucial that they adhere to the companies’ policies. Aligning their practices with such policies ensures that their product can be sold at the market and they are able to

enter global supply chains. Another relevant benefit for suppliers is that companies' policies and commitments provide guidance on sustainability issues, not just for suppliers themselves but also for farmers they work with. In multiple interviews, suppliers mentioned that farmers often need convincing about why it is in their interest to change their practices and integrate more sustainable approaches to cultivating their crops or commodities. These include the correct use of fertilisers or pesticides or maintaining soil health. For keystone companies, having a policy in place and regularly communicating this policy with relevant stakeholders ensures that it can have an effect further down the supply chain. This is noteworthy because it suggests suppliers perceive that keystone companies' policies can trickle down to the farmer level.

**“The policy is useful because it provides guidance for producers and farmers on what they should do. It tells us why we should be doing what is required as otherwise they [farmers] would not know what the right approach is. So having this policy in place and communicated to the farmer is good.”**

**Cocoa supplier, Ghana**

**“The policies are useful because they give a way forward for us. They explain to us what the company wants and what is expected of farmers. Farmers often need convincing on why it is in their interest to do certain things or change their ways, so the policy is good in that sense... This can help with improving the living conditions of farmers and help towards solving environmental issues like deforestation, conservation and climate change.”**

**Tea supplier, Kenya**

This view is substantiated by an analysis of responses to the question 'How important are the sustainability policies of keystone companies?' The third most frequent word that suppliers mentioned was 'farmer', as illustrated in the word cloud in Figure 6. This underlines how suppliers connect the policies and commitments made by keystone companies to the farmers they work with, and that they believe public disclosure is relevant at the farmer level. This further validates the view that suppliers perceive company policies as important for both themselves and the farmers they work with in promoting sustainable practices.

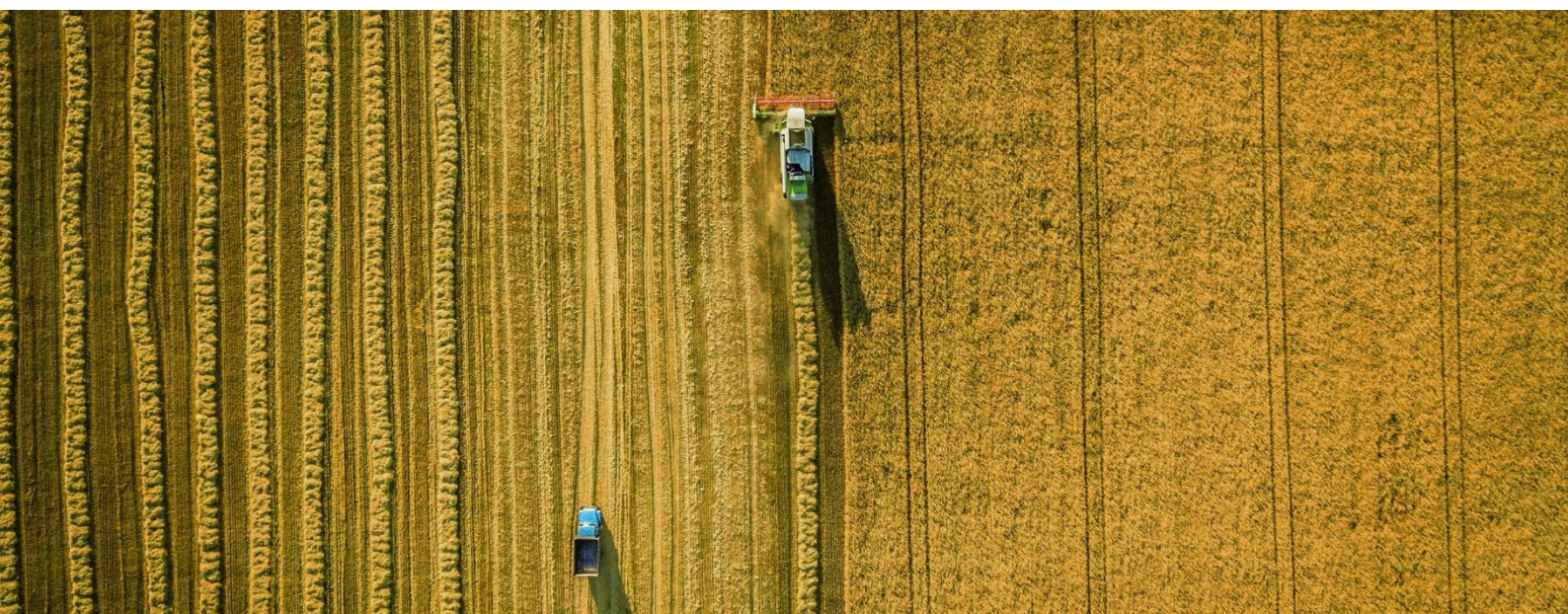




FIGURE 6: WORD CLOUD ILLUSTRATING THE MOST COMMON WORDS IN RESPONSE TO THE QUESTION 'HOW IMPORTANT ARE THE SUSTAINABILITY POLICIES OF KEYSTONE COMPANIES?'



### Results in relation to WBA's theory of change

The general lack of transparency makes it difficult to establish a direct correlation between the performance of keystone companies in the Food and Agriculture Benchmark and a corresponding level of impact in their supply chains. Respondents did not differentiate between keystone companies when commenting on them but referred to them uniformly as 'big companies' or 'multinationals'. Further, suppliers viewed keystone companies as a homogenous group, providing no specific data on the different policies and behaviours of individual companies.

Nonetheless, this report has highlighted the relevance of benchmarking in holding companies to account regarding sustainability issues and impact in developing countries. When considering how suppliers perceive the effectiveness of companies' policies and commitments in supporting sustainability practices, the interviews suggest that respondents view them as crucial. Respondents were generally interested in the policies and commitments and noted that they provide much-needed guidance for them on sustainability issues. Moreover, some suppliers commented on the important trickle-down effect of these policies when it comes to changing the sustainability practices of workers and farmers. This corresponds with the OECD-FAO's guidance for stakeholders on promoting responsible agricultural supply chains. This states that keystone companies, by providing guidance for farmers through their disclosures such as sourcing practices or human rights policies aligned with international standards, can reduce the chances of adverse negative impacts and prompt more sustainable practices by farmers and workers (OECD and FAO, 2016). Nevertheless, as the following quote from one respondent makes clear, policies and commitments are only as useful as the follow-up actions by the companies and their stakeholders, particularly in developing countries where it is harder to manage such issues.

**“The policy is good, but what matters is the impact on the ground. You can release any policy you want, but what matters are the activities behind it. If nothing is behind it, then it means nothing to us or the change they say they want to make in their policy or commitment.”**

### **Coffee supplier, Kenya**

Therefore, it is better to view the influence of benchmarks on improving companies’ sustainability practices in their supply chains as diminishing along the length of the chains. As the interviews show, suppliers regard company policies as important. In turn, policies can be influenced by benchmarking initiatives. Taking this into consideration, neither corporate policies nor benchmarks can exist in isolation but are part of a wider ecosystem of actors working together to drive the desired change. The data produced by the Food and Agriculture Benchmark, which is based on keystone companies’ public policies and commitments, reveals where the food and agriculture sector is in terms of meeting global sustainability goals. However, the data is only as useful as the way in which it is used. Nonetheless, by supporting stakeholders who use the data, including on the ground in developing countries, WBA can hold companies accountable for their actions. As argued by Filho et al. (2022), international organisations, NGOs, governments and private sector institutions can only achieve the SDGs by working in synergy. This is already happening as a result of WBA’s wider engagement activities. For example, through the G7 Sustainable Supply Chain Initiative, G7 member states are using WBA’s benchmark as an independent monitoring mechanism for company progress on sustainability issues. Moreover, Macquarie Asset Management (MAM) has built the 2021 Food and Agriculture Benchmark company scores into its UN SDG Database, which is available to all our public investment teams to measure their portfolios’ SDG alignment. Combining the benchmark’s data with such engagement activities can drive the desired change outlined in WBA’s theory of change.

### **Next steps for WBA**

This project was exploratory in nature with few, if any, studies previously conducted examining the relationship between the performance of benchmarked companies and sustainable practices in their supply chains. The results underline the relevance of benchmarking initiatives in driving change in the food and agriculture sector. While a direct correlation between companies’ benchmark performance and impact in their supply chains has not been definitively established, the relevance of benchmarking within the ecosystem of different actors holding companies accountable on key sustainability issues is evident. We will be able to draw a clearer picture following the publication of the second Food and Agriculture Benchmark in September 2023. The benchmark will include updated scorecards for all 350 companies in scope and show the progress made by companies on topics including deforestation, food safety and supporting farmers and smallholders. Meanwhile, the project has provided reflections which will be integrated into the Food Transformation’s wider work. As the Food and Agriculture methodology was updated in 2022, there was a central focus on supply chains to increase pressure on companies to improve disclosure and performance. For example, indicators B3: protection of terrestrial natural ecosystems and D23: farmer and fisher productivity and resilience have been updated to include some of the feedback from suppliers. Notably, WBA we will be stricter with companies when measuring their public disclosure of traceability systems of commodities and companies’ support for farmers and smallholders. Similarly, this topic will be given greater focus in our conversations with companies.



## Director's response

The results of the project will also be integrated into WBA's wider work and processes, beyond the Food Transformation. From a research angle, the project has motivated WBA to consider how it can assess and capture impact more effectively as well as strengthen our role in signalling the important relationship between companies and their suppliers in our benchmarks. As with the Food and Agriculture methodology, the lessons learned will be integrated into methodologies across WBA's Transformations. Furthermore, regarding WBA's engagement with companies during the benchmark cycle, the project has signalled WBA to move away from sending surveys to companies but to draft assessments with scores, in line with feedback received from companies regarding the workload involved in filling pre-populated surveys. This builds on a recognition to partner more closely with companies so that they can detail how WBA's benchmark's lead to a behavioural change internally. Furthermore, the project has provided lessons for other Transformations and teams to identify which actors they should engage with in their relative ecosystem to bring about the desired change. For example, how WBA's Policy team can build alliances with like-minded organisations to provide input and influence on proposed legislation which focuses on companies' supply chains.

A new team, Impact, Learning and Development (ILD), has also been formed, in part, due to a recognition of an institutional need to have a team which focuses on such projects and how the lessons learned from them can be integrated into the wider organisation. The team will be cross-transformational, working with the organisation to consider how they are aligning their work with WBA's theory of change and incorporating the lessons learned. The immediate focus will be on benchmarks which have gone through multiple iterations, such as the [Digital Inclusion](#) and the [Corporate Human Rights Benchmark \(CHRB\)](#), as these provide greater opportunities for measuring change over time regarding the benchmark's influence. Finally, the project has made WBA consider what are its strengths and what is within its scope regarding future projects. A limitation of the project was access to on-the-ground actors. Meanwhile WBA's strengths and influence are more towards the higher level, such as companies' policies and commitments or policy forums. When proposing future projects, we will consider the feasibility of reaching the key actors for data collections purposes and if the project can establish the link between the results on the ground versus what happens at the higher level. This will result in projects which provide more fruitful data which can be tied back towards WBA's wider work, including benchmark results or engagement activities with companies and stakeholders.



# Call to action for keystone companies

This section outlines steps companies should be taking to address the issues presented in this report. Each call to action provides leading examples from benchmarked companies, proving that improvement is possible despite the scale and complexity of global supply chains. Companies cannot implement these actions in isolation but through collaboration with multiple stakeholders. For example, working with civil society organisations can help companies understand the expectations of actors on the ground where they operate. Meanwhile, working with policymakers can contribute to creating an enabling environment for more sustainable practices and supply chain transparency. Crucially, companies should also be working with one another to address these issues, given that their supply chains are often intertwined and face the same challenges.

## **Accelerate direct support to suppliers to drive the implementation of sustainability commitments across supply chains**

Throughout the interviews, suppliers made it clear that keystone companies could provide more direct support to suppliers and farmers to ensure that more sustainable practices trickle down the supply chain faster and benefits are more equally shared. Recent shocks to the food system, including COVID-19 and the conflict in Ukraine, have exacerbated issues facing suppliers and farmers. For example, the cost of inputs for farmers, such as fertilisers, has increased substantially (Baffes and Koh, 2022). While suppliers and farmers lack the capacity and power to address such issues, keystone companies have the resources, scale and influence to offer relevant support.

**“The cost of inputs has increased a lot recently, and it is very difficult for companies and farmers at the moment. [Farmers] cannot afford these [inputs], so getting direct support from companies would help farmers a lot. They should also talk directly with farmers. Instead of doing a lot of talking and saying ‘do this, this and this’, they should do follow-ups and support farmers directly.”**

**Tea supplier, Kenya**

**“I think companies should support more in the certification process. It still largely falls on the seller or the farmer to do all the work, and it is a lot of work. It needs to be more in favour of the farmers. At the moment, the system favours the company.”**

**Coffee supplier, Kenya**

In particular, supporting farmers to become certified to recognised standards is an area that requires greater company focus. In the food and agriculture industry, the cost of certification still largely falls on suppliers or farmers, who often lack the necessary financial capacity and rely on NGOs or national governments. However, direct company support for suppliers and farmers during the certification process presents a win-win situation. Suppliers get the assistance they need and are able to charge a premium price for their product. This has a potential multiplier effect on improving the livelihoods of





farmers they work with (Evidensia, 2019). For companies, there is less risk of controversies emerging in their supply chains, such as child labour, corruption or poor wages, as the products they source are from suppliers who are certified to a high sustainability standard. Furthermore, by directly working with suppliers on the certification process, companies are in a better position to manage the traceability of the commodities they source (see next section).

Additionally, even among companies who do directly support suppliers or farmers, there remains an opportunity to improve their public reporting on this topic. Respondents felt that companies could provide further public disclosure about the type of support they offer to suppliers and the outcomes of this support. Doing so would allow companies to highlight how they are talking *with* suppliers and farmers rather than talking *to* them when solving sustainability issues in the supply chain. This also presents an opportunity for companies to illustrate that they are tracing their products back to the farmer level and are taking a holistic approach when it comes to raising sustainability standards through their policies and commitments.

**“Companies should also report on their interactions with farmers more, with follow-ups, on their website. What was discussed with the farmers and what were the issues they spoke of? This should then be published by the company, explaining how they plan to follow up on it and solve the issues the farmers raised.”**

**Tea supplier, Kenya**

### Leading practices

Through its [Cocoa Life Program](#), **Mondelez International** discloses how it supports cocoa farmers and demonstrates that it is systematically measuring the outcomes and impact of all its support activities, as part of a strategic approach. This includes reporting on metrics such as how many farmers have been trained on certification standards and how farmers’ livelihoods have improved since the intervention, such as increase in incomes or yields. Similarly, as part of its [Smart Agricultural Goal](#), **Anheuser-Busch InBev** discloses its work with its direct farmers, including setting a target for 100% of them to be trained according to the programme’s goals.

### Improve disclosure about commodity sourcing

The benchmark results highlighted the need for keystone companies to improve the transparency of their supply chains through public disclosure. As illustrated in Figure 6 above regarding the protection of terrestrial natural ecosystems indicator, only six companies disclose the regions from which they source their high-risk commodities. This represents a meagre 2% of companies in the benchmark, suggesting that most companies do not understand their supply chains or at least struggle to disclose meaningful information. By disclosing both their suppliers and where they are based, companies can take significant steps towards addressing sustainability issues within their supply chains by being better able to manage potential risks and opportunities. Data from WBA’s ally CDP suggests this is



improving slowly in the food and agriculture sector, particularly regarding commodities with a high deforestation risk. The proportion of suppliers who reported through CDP and disclosed traceability systems in 2021 was 68% for palm oil, 51% for timber, 38% for soya and 29% for cattle products, all slight increases since 2020 (CDP, 2022). However, there remains stark disparities between the different commodities as well as a transparency gap in the sector as a whole. Companies cannot measure what they do not manage. By working with partners such as certifiers, companies can take the first step towards managing sustainability issues in their supply chains by publicly disclosing the percentage of products that are bought with a traceability guarantee back to the farmer level.

Furthermore, it is in the interest of keystone companies to proactively address commodity sourcing because of increasing pressure from external stakeholders. With an eye on the sustainability credentials of their portfolios, in light of the negative effects of food production and its risks to the planet as well as to long-term financial returns, investors are increasingly targeting food and agriculture companies on a range of issues, from greenhouse gas emissions to antibiotic use in supply chains (Murray, 2022). Similarly, policymakers are developing regulations that will oblige companies to tackle sustainability issues in their supply chains. For example, in November 2021, the European Commission of the European Union (EU) presented its proposal for regulation of deforestation-free products. This will include mandatory due diligence rules for companies that make available, or export, high-risk commodities including palm oil, beef, timber, coffee, cocoa and soya from the EU market (European Commission, 2021). Improving disclosure about suppliers and their locations will allow keystone companies to stay ahead of this increasing scrutiny and ensure that they are appropriately managing such risks and, more importantly, are able to contribute effectively to positive change in their supply chains.

### Leading practices

As part of its [Sustainable and Regenerative Sourcing](#) plan, **Unilever** publicly discloses lists of suppliers across key commodities that it sources and the regions where they originate. Similarly, **Nestlé** publicly discloses lists of suppliers of priority raw materials that are part of its [Responsible Sourcing](#) programme, covering 95% of the company's annual sourcing of raw materials. The disclosure of suppliers can also go beyond PDF documents. **Wilmar International** discloses an [interactive map](#) of its suppliers. This provides users with the geolocations of the company's suppliers as well as sections for country statistics.



# Acknowledgements

At the World Benchmarking Alliance (WBA), we are building a movement to measure and incentivise business impact towards a sustainable future that works for everyone. On that journey, we are learning and developing, to ensure we improve our work and our impact. At every step, we are proud to collaborate with WBA Allies, partners and donors who push us to raise our ambitions and dig deeper. This project is a great example of such collaboration, enabling us to learn more about the influence of benchmarks on the sustainability practices of suppliers in the food system as well as about the system's many challenges. We will take these learnings with us in our work, across seven transformations (see next section) and benchmarks.

The IKEA Foundation has been the driving force behind this project, becoming an important partner and sounding board during its development and execution phases. We look forward to continuing our collaboration across transformations. A full list of WBA's funders can be found at the end of this report. During the early stages of our partnership, we engaged with a group of Allies, IKEA Foundation project partners and members of the Expert Review Committee of WBA's Food and Agriculture Benchmark to discuss and define the focus of this project and gather feedback from those with thematic and/or regional expertise. These conversations helped develop our research approach and the structure presented in this report. We would like to extend our thanks to the following organisations:

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- Ecochain
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- 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
- Oxfam
- Rainforest Alliance
- Root Capital
- Roundtable on Sustainable Palm Oil (RSPO)
- Scaling Up Nutrition (SUN) Business Network: country representatives from Mozambique, Bangladesh, Sri Lanka, Kenya, Uganda, Laos, Cambodia, Philippines and Myanmar
- Solidaridad
- Sustainable Trade Initiative (IDH)
- Swasti/Catalyst Management Services
- Expert Review Committee of WBA's Food and Agriculture Benchmark (list of members available [here](#))
- WWF India

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# About the World Benchmarking Alliance

Founded in 2018, the World Benchmarking Alliance (WBA) is a non-profit organisation holding 2,000 of the world's most influential companies accountable for their part in achieving the Sustainable Development Goals. It does this by publishing free and publicly available benchmarks on their performance. WBA shows what good corporate practice looks like so that leading companies have an incentive to keep going and laggards feel pressure to catch up.

WBA has identified seven systems (figure 7) that, if transformed, have the greatest potential to put our society, planet and economy on a more sustainable and resilient path. These are the transformation of our social system, our agriculture and food system, our decarbonisation and energy system, our nature system, our digital system, our urban system and our financial system.

By benchmarking companies on each system transformation every second year, WBA reveals where each company stands in comparison to its peers, where it can improve and where urgent action is needed. The benchmarks provide companies with a clear roadmap of the commitments and changes they must make. Over time, they will show whether or not these 2,000 companies are improving their business impact on people, workers, communities and the environment. They equip everyone – including a community of 300+ organisations known as 'Allies' – with the insights that they need to collectively ensure that the private sector changes.

FIGURE 7: WBA'S SEVEN SYSTEMS TRANSFORMATIONS





# Appendix 1

## List of suppliers interviewed for the project

Supplier	Country	Commodity	Date of interview
1	Bangladesh	Tea	May 2022
2	Bangladesh	Tea and grains	May 2022
3	Bangladesh	Tea	May 2022
4	Kenya	Coffee	June 2022
5	Ghana	Cocoa	June 2022
6	Kenya	Tea	July 2022
7	Kenya	Tea	August 2022
8	Kenya	Tea	August 2022
9	Kenya	Tea and coffee	August 2022
10	Kenya	Tea	August 2022
11	Kenya	Tea	August 2022



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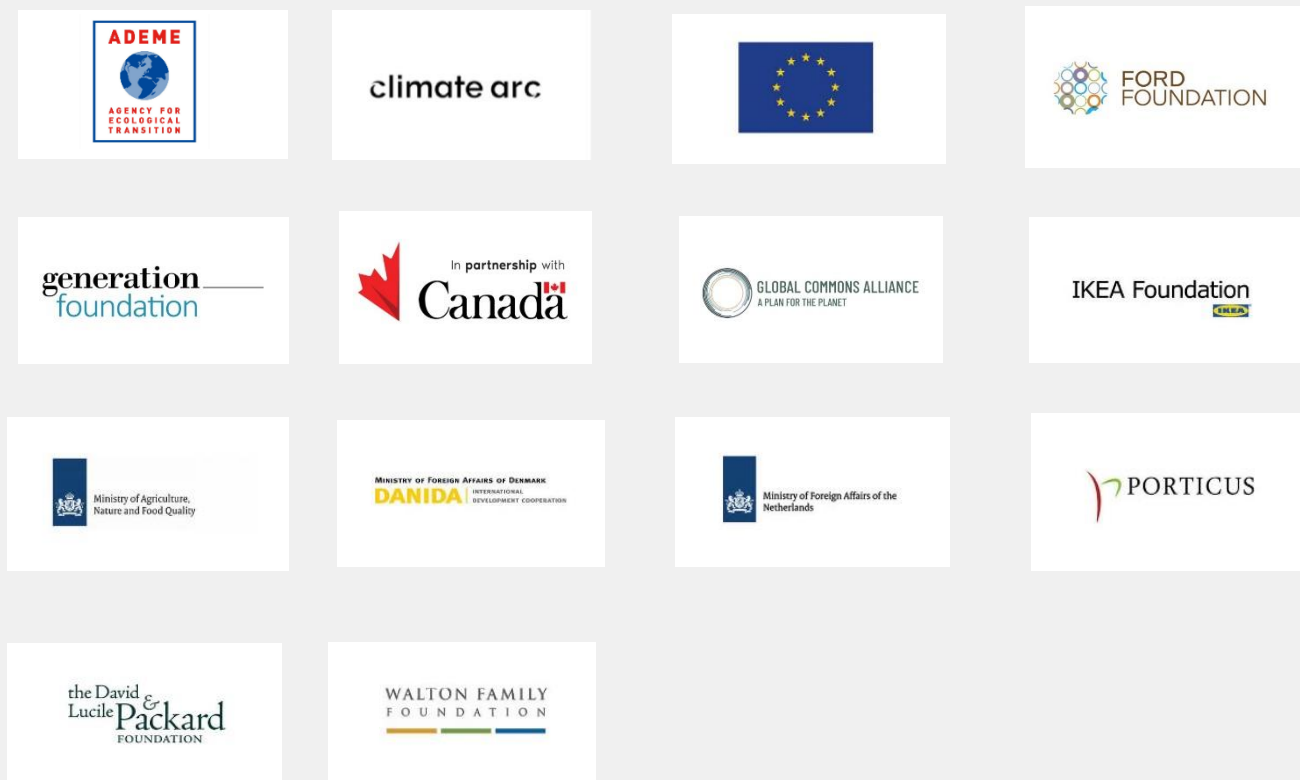
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