

The Importance of Ethical Trade and Responsible Sourcing in today's global supply network.

Today's conscious consumers are transforming their relationship with global brands. They are increasingly making more informed, ethical buying choices and although we saw signs of a consumer shift before the pandemic, recent reports indicate that the disruption caused has fuelled this behaviour. Now, 83% of consumers would like brands to help them to be more environmentally friendly and ethical in their daily lives (Futerra 2018 - UK USA).

In tandem, there has been an emergence of regulation that places accountability onto businesses to ensure that workers' rights and ethical performance is managed in their operations and supply chains.

BRGS has responded to these changes with the launch of its Global Standard for Ethical Trade and Responsible Sourcing (ETRS) which helps businesses to respond to these regulatory requirements, as well as the shifts in consumer, specifier and investor expectations.



Case study

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Ahold Delhaize is one of the world's largest food retail groups, a leader in supermarkets and e-commerce and a company at the forefront of sustainable retailing. As a global business, they recognise the value of BRCGS certification with the Global Standard for Food Safety being one of the standards they require of their suppliers. However, with a wide supplier base spanning a number of different countries, Ahold Delhaize has recently started work in collaboration with their Romanian branch Mega Image to implement BRCGS certification for the ETRS Standard. This forms part of a strategy to make their supply chain stronger, more resilient and sustainable with the assurance of ethical practices. Speaking of their motivation to embed the ETRS Standard in their supply chain, Leon Mol, Director Product Safety and Social Compliance at Ahold Delhaize, said "Our customers expect us to pay attention to labour conditions under which the products they buy with us are produced. We source our products from many countries where labour conditions can be compromised. An ethical audit provides us with a solid base to address, with our suppliers, major issues that are identified during the audit".

Ahold Delhaize are not alone as investment decisions based on ethical and social governance are increasingly playing a critical role in long-term investment strategies with shareholders demanding value-based investment options. Ernst and Young report the tangible and growing impact poor governance practices, such as poor worker rights practices, have on investment decisions. It was found that 56% of UK investors have increased their stake in ethical funds in the past five years and 63% of investment decisions are ruled out due to poor governance. This has resulted in a staggering total of \$30.7 trillion invested in sustainable businesses, a 34% increase since 2016.

The ETRS Standard is a full social compliance standard, which means it can be delivered as a standalone audit, or it can be audited alongside any of the other BRCGS Global Standards. As a specifier of the BRCGS Global Standard for Food Safety, Ahold Delhaize were keen to streamline the audit process for their suppliers by opting for the BRCGS ETRS Standard: "At production locations for which BRCGS Food Safety certification is in place, the ETRS audit is a logical choice. It can create synergy in a way that sound labour conditions contribute to the production of safe food. I am very enthusiastic about the way in which the ETRS standard connects with the production location and builds up the required information. Both from the auditor and the supplier side, this lays a strong foundation".



With sales of ethically certified food and drink projected to rise considerably reaching £9.6 billion by 2023, the brands that do not implement strategy to ensure ethical and sustainable practices throughout their supply network are likely to lose customers. Considering the impact of ETRS audits for Ahold Delhaize and its wider supply network in future, Leon commented: "I foresee a stronger relation between ethical audits and food safety certification. Many of our suppliers make the choice to be certified to a BRCGS standard".

The ETRS audit programme is currently underway in Romania with Mega Image. A number of their suppliers has recently achieved the first BRCGS certifications for the ETRS Standard and commenting on their progress so far, Ana Carolina Iancu Tulai, Quality and Food Safety Manager, commented: "Last year, we started a pilot test of social audits on the ETRS standard, in collaboration with BRCGS, for five of our local suppliers. The first meeting with these suppliers focused on training, so that they understood the requirements of the standard and could prepare properly for the first audit and document evaluation, which took place online. The audits to evaluate the units of the five suppliers, took place in the first months of 2021. This pilot has meant a successful addition of social audits

for local suppliers for Mega Image. We are pleased to announce that we will continue with audits based on the ETRS standard and we are planning at least 30 new audits on this standard for this year. We look forward to the results of these evaluations".

Leon Mol added: "The pilot audit programme has increased awareness that ethical audits have significant added value for the local Romanian suppliers. This helps our colleagues to better position their suppliers and it helps the Romanian suppliers to comply to the Ahold Delhaize requirements in an effective and efficient way".

To find out more about BRCGS certification for the ETRS Standard, visit the BRCGS website.

