SPRINGBOARD

The Future of Supply Chain Transparency

26th-27th September 2019
KPMG Office | Amstelveen
The Netherlands

The Consumer Goods FORUM | End-to-End Value Chain | KPMG

Agenda

Dinner at
De Jonge Dikkert

Introduction

Supply chain transparency is the fundamental process of managing risks by collecting, sharing and understanding data and information throughout the supply chain. However, despite acknowledging its importance, many businesses struggle with supply chain transparency. Indeed, modern supply chains become increasingly global, are complex, fragmented, siloed and rely on a large number of suppliers and intermediaries from all parts of the world. According to KPMG Manufacturing Outlook 2016, only 13% of the respondents have 'complete' visibility past their Tier 1 suppliers and into their Tier 2 and beyond. Meanwhile, pressure is increasing for businesses to build transparent supply chains. Consumer goods companies are inspired or urged to make progress in this area due to operational excellence and at least four other drivers:

1 Consumer voices and interests leading to higher expectations on the level of transparency while...

- Consumers seem to engage more with company-led programmes than third-party-certified products in coffee, tea and cocoa.

- Only 12% of UK consumers have confidence in the European Food Chain, and only 7% trust the global food chains [according to the National Farmers' Union Mutual Food Fraud Report].

- The cost of food fraud was estimated at 12 billion for the UK food industry alone by the National Farmers' Union Mutual Insurance Society Limited.

2 To comply with food safety regulations and an increasing body of regulation like the UK Modern Slavery Act and the Dutch Act on Child Labour that Tony's Chocolonely has so actively lobbied for.

3 Stakeholder pressure with, for instance, Greenpeace targeting companies linked to rainforest destruction in Indonesia in their "final countdown report".

4 Investors ask companies about ESG risks in the supply chain as issues can harm the reputations, operations and financial performance of businesses or assets owned by investors, as well as investors' own reputations and investment performance.

Ruediger Hagedorn
Director, End-to-End Value Chain
The Consumer Goods Forum

Jerwin Tholen
Partner Sustainability
KPMG NL

Defining transparency in the supply chain and to what extent is however less clear for many companies. Indeed, how to improve visibility in your supply chain, how to approach data management, what information to share with your customers and other stakeholders, which technology to choose and how to stay regulation compliant, were challenges faced by every company in the room.

So far, several initiatives and pilots on different technologies have been experienced by businesses in the last few years with different level of success. While successful projects seem all over the news, companies tend to be more "shy" when it comes to talking about difficulties, struggles and challenges faced in implementation stages. The objective of this event was to bring experts and companies together to assess, discuss and learn from each other based on their knowledge and experience on blockchain or other solutions, as well as to bring companies' concerns to the table and get insights from those who have already been there.

In the morning, two use cases from Tony's Chocolonely / Ahold Delhaize / ChainPoint and Moyee Coffee / KrypC were presented, followed by 3 workshops on:

- Drivers for transparency in agriculture and food supply chains and how to react

- Supply chain data management from an implementation perspective

- Barriers and accelerators for adopting industry standards by FMCG companies and suppliers

In the afternoon, participants and speakers shared insights about the future of supply chain traceability based on inputs and discussions from the morning.

Key takeaway

Collaboration can only be achieved with common goals, standards and definitions from internal stakeholders (different departments within the company) to external ones (organisations involved in the value chain or largely, in the same industry or sector).

Therefore, it is important to define

- The "why"; the purpose and level of ambition we want to achieve

- The governance structure to address the role and responsibilities of participants, common goals and definitions to use, as well as incentives to encourage stakeholders' involvement

- Essential and relevant data to collect, who should be the owner and held accountable for it and most importantly, who will pay for it (including the costs related to transforming the whole supply chain)

- Where the data comes from and how to collect it in a most accurate and reliable way (quality vs quantity) - where digitisation is one of the main challenges - what level of information to share and with which organisations or entities

Concerns related to scalability, interoperability and the role of government on standardisation models were also expressed during the day.

Joke Aerts
Open Chain Lead
Tony's Chocolonely

Laura Jungmann
Team Lead Sustainability
Albert Heijn

Johan Zandbergen
Founder and CEO
ChainPoint

Cloud-Based Supply Chain Technology – Possibilities and Limitations

Presented by:
Laura Jungmann

Laura is responsible for implementing Albert Heijn's sustainability strategy (part of Ahold Delhaize), a food retailer with more than 1.000 stores in the Netherlands and Belgium. Sustainability topics include packaging and food waste reduction, implementing transparent and sustainable food and beverage supply chains for the people and the planet.

Laura explained some of the initiatives implemented by Albert Heijn to make its own-brand products more transparent.

Among them, the world-leading food retailer based in the Netherlands has experienced blockchain technology to make the production and eggs or orange juice completely transparent to its consumers, using blockchain advantage to digitally store and send secure data from multiple parties in such a way that it cannot be tampered. Thanks to a code on the packaging of the orange juice bottle, consumers can track the entire route travelled by an orange juice from the grove to the stores in the Netherlands. Customers can give the farmer a "like", which also closes the distance between the producer and the consumer. For eggs, consumers can use the 'check je ei' (check your egg) tool to identify from which farmer the egg comes from.

As a next step in supply chain transparency, they also implemented an interactive world map published on ah.nl that shows more than 1200 locations where its own-brand products reach the final step in the production process. The aim is to give customers more insight into the origins of Albert Heijn's products by showing the distribution of the locations around the world so they can shop with confidence. The information on the map will be expanded with data about the production process of fresh products such as vegetables, fruit, dairy, meat and fish.

Albert Heijn was also the first Tony's Chocoloney "mission ally" joining the Open Chain Platform. Tony's Chocolonely is a chocolate manufacturer in the Netherlands who's mission is to make chocolate 100% slave free.

Presented by:
Joke Aerts

Joke Aerts supports Tony's Chocolonely with the Open Chain concept development. She introduced the company as an impact company selling chocolate and explained its mission to make 100% slave free the norm in the chocolate industry. Together with other chocolate companies Tony's Chocolonely wants the Five Sourcing Principles to become the new way of doing business. Tony's Chocolonely foresees a cocoa industry where all parties participate in an open and transparent chain, where issues are always brought out in the open so they can be solved, and where direct and equal business relations prevail throughout the entire chain.

The Five Sourcing Principles are:

1 Traceable Cocoa Beans - Mission allies don't buy cocoa beans from the huge heap. They trade directly and on equal footing with cocoa farmers and farming cooperatives. They make sure they have a clear understanding of who produces the beans, as well as under which social, environmental, and financial circumstances those beans are produced.

2 A Higher Price - Mission allies pay the cocoa farmers a price that enables farmers to earn a living income and run their farm.

3 Strong Farmers - Mission allies work together to professionalise farming cooperatives and farms, giving the farmers and their self-organised groups the power to structurally change inequality. Strong, functional cooperatives are democratically run, assess the needs of their farmer members and help them achieve optimal farming businesses by co-investing in farm inputs and community infrastructure. Mission allies want cooperatives
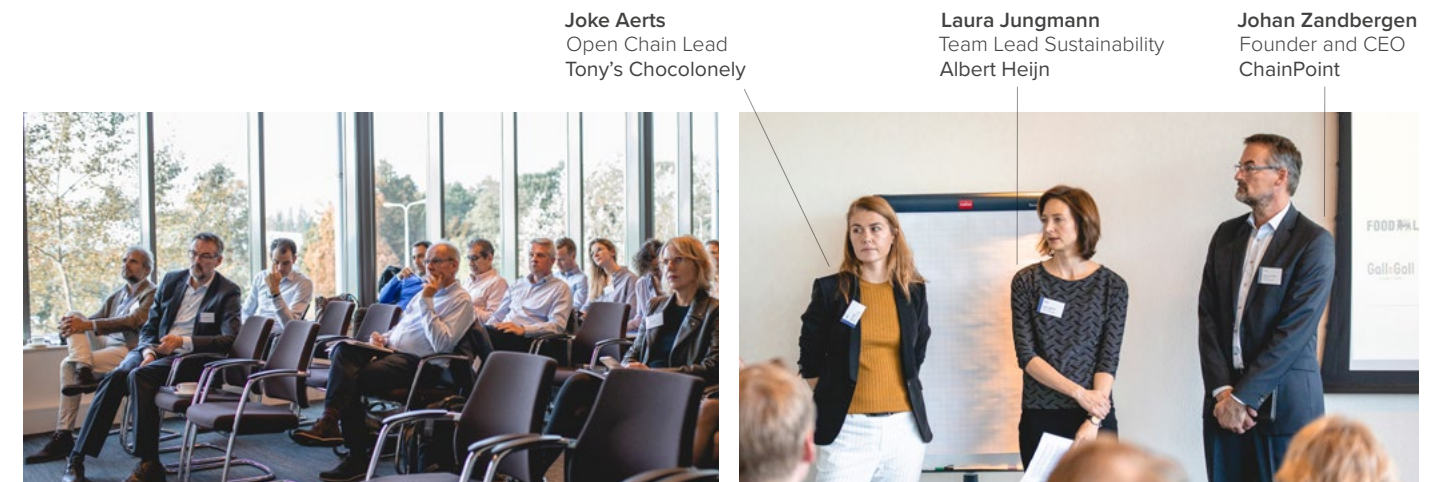
that can help identify and remediate social or environmental issues early on in the supply chain.

4 Productivity and Diversification - Mission allies commit to farmers' wellbeing by paying a higher price for cocoa, enabling a living wage for cocoa growing families. Farmers commit to their own improvement by raising the bar on their productivity, aiming for a yield of 800kg/ha. At this yield, a living income is possible for the average cocoa growing family.

5 The Long-Term - Mission allies aim to work with farmers for a minimum of five years. When cocoa farmers know they can sell their harvest for a higher price, they can make medium and long-term investments. For example, they can purchase new cocoa plants to improve their harvest or invest in agricultural tools or trainings.

Tony's Chocolonely's supply chain platform is called the BeanTracker, built on ChainPoint's cloud-based software platform, collecting data from the farmer coop to production. Farmer coops and all supply chain actors are connected to the Bean-Tracker, entering data on a weekly basis. This means that there is a fully transparent "bean to bar" supply chain, knowing the origin, the flow and the quantities of the beans – in others words the "bean whereabouts". All actors have the responsibility

to enter their information on the platform and share it with all others. In exchange they receive all other relevant information.

In 2018, Tony's Chocolonely did a pilot to see whether blockchain would be a better solution than the cloud-based ChainPoint/Beantracker solution. Tony's Chocolonely chose to do a six week pilot in the Ivory Coast with two of the partners there: one cooperative (Socoopacdi) and one local trader (Ocean). For them this meant that they had to do 'double work' for six weeks: registering in Beantracker (as usual) and doing it again in the blockchain.

Tony's Chocolonely concluded that the blockchain did not add significant data to the already existing Beantracker. Tony's Chocolonely conclusions were:

• There is important potential in blockchain technology for traceability worth investigating,

• Tony's Chocolonely has a functional and operational traceability platform that performs the same service with a different technology,

• Together with ChainPoint, the partner for BeanTracker, Tony's Chocolonely will follow blockchain developments closely as well as other relevant technological developments such as Artificial Intelligence (AI) or Internet of Things (IoT) and when appropriate

applications arise, or the ecosystem readiness grows, Tony's Chocolonely will integrate blockchain technology into the BeanTracker. Tony's Chocolonely is open to other parties to further explore other technologies and their application for traceability.

Presented by:
Johan Zandbergen

Johan Zandbergen is the founder and CEO of ChainPoint. He believes that information technology and software is crucial to improve supply chain collaboration. To achieve this, ChainPoint has been building and implementing innovative supply chain solutions for monitoring and securing supply chains since 2003. With the ChainPoint platform, international supply chains track product flows and share information for better supply chain performance. Producers and brand owners from various industries such as food, textile, timber, minerals and cosmetics use ChainPoint to gain supply chain insights and build sustainable relationships with their suppliers.

How Can Blockchain Enhance Supply Chain Transparency?

Sander Govers
Business Development and
International Retail Manager
Moyee Coffee

Presented by:
Sander Govers

Sander Govers joined Moyee Coffee in 2016 as Business Development and International Retail Manager to support its FairChain mission: sharing value in the coffee value chain fairly and equally in order to increase living standards in the country of origin.

Through the FairChain initiative, Moyee aims to 'fix' the imbalance in the current coffee supply chain, where coffee beans are being exported as a low-value commodity from the countries of origin (all in the southern hemisphere, 90% of which rely on development aid) and then roasted in the richer northern countries. As such, 90% of the value of coffee is localised in the consuming countries, while the poorer producing ones only benefit from 10% of the value. Moyee's mission is to have this value distribution be fair, i.e. 50%-50%.

To realise this fair distribution goal, they have set up a roasting and packaging facility in Ethiopia and they buy their coffee beans directly from groups of individual farmers whom they pay a premium. The coffee is roasted, packaged and exported shelf-ready to consuming countries. Through this process new jobs are created in the country of origin, farmers receive a living income

and reforestation activities take place; meaning that additional value is brought to the source.

The disruptive change that Moyee Coffee has achieved in the sector is driven by a fair sharing of value-add, without consumers having to pay any premiums. In order to support this claim, the company had to be able to prove the impact they are achieving up to farmer level. Thus, they make use of a blockchain solution through which all actors are registered on the network and the flow of goods is made transparent through tokenisation. Blockchain enables end consumers to clearly see the three main flows within the supply chain: flow of goods, flow of information and flow of money. More

importantly though, blockchain has the ability to transfer value. End consumers can be connected to farmers and will receive measurable, verifiable proof of impact when they invest in impact goals at farmer-level. This way blockchain creates brand value and trust with the consumer base.

Sander concluded that their open-source solution is scalable as they are working to replicate this setup in other value chains and sourcing countries, but it does come with challenges. In particular, having all actors registered on the blockchain can generate data privacy issues. Thus, it is essential to find a balance between consumer demand for transparency and information sensitivity on the blockchain.

Paul de Kroon
President & COO - EMEA
KrypC

Drivers for Transparency in Agriculture and Food Supply Chains and How to React

Led by:

Brigitte Campfens

The objective of the workshop was for participants to share insights on the topic of transparency in Agri & Food supply chain and how to react to this as a company.

Key takeaways from this workshop

Main drivers

- Continuously increasing lack of trust from consumers

- Companies willing to operate in a more purpose-driven way achieving common goals with stakeholders

- Increasing push from legislation

- Need to create efficiency in processes (e.g. for reporting purposes)

Main concerns

- Scalability of current technical pilots (blockchain still in development, no economies of scale yet)

- Data quality and operational efficiency; strike balance between accuracy and feasibility. Garbage in = garbage out

- Value proposition: the value of data in a business case

- Interoperability of systems

Way forward

- Continue building coalitions

- Keep it simple, accept baby-steps and small successes

Brigitte Campfens
Manager Supply
Chain Sustainability
KPMG NL

Andrea Bolhuis
Manager Sustainability
KPMG NL

Andrey Daluz
Manager Supply Chain
Transparency & Sustainability
KPMG NL

Suppy Chain Data Management from an Implementation Perspective

Led by:
Audrey Daluz

Collecting, storing and analysing data to use and process them into useful information is key in better decision-making. While companies often talk about digitisation and good practices, efforts put in place in implementing these are often overlooked.

The objective of the workshop was for participants to ideate and share experience on the optimisation of data management systems in supply chains from an implementation perspective.

Key takeaways from this workshop

Five clusters that contribute to better data management across supply chains:

1 Requirements, purpose and meaning

2 Master data management and standards

3 Change management and culture

4 Operating model and collaboration

5 Data quality

...where three main topics stood out:

- Strategy & vision: Defining proper business purpose and a clear scope by asking the right questions – What to achieve? What business problems to solve? What levels of ambition?

- "People" (stakeholders): Involving internal and external stakeholders with common goals, definitions and language to avoid the siloed approach ("us" vs "them") and change resistance – Who are the key internal/external stakeholders? What are their roles / responsibilities? Are the visions on goals and/or problems aligned? What are the incentives to encourage their involvement? What's in it for them when high-quality data from the different steps in the supply chain is captured?

- Determine which data is relevant and to which functions to truly drive business value focusing on providing the best qualitative (and most accurate) data when an organisation's supply chain generates large volumes and massive amounts of information.

Always keep in mind the following: What do we want to find out? Where will the data come from? Are these data available and in which format? What else do we need to know?

The strategy and vision, the incentives for all people that contribute to data collection and the business value need to be crystal clear as good data comes at a cost.

These elements may seem obvious but still (too) many companies find out when it is already too late and have started complex projects focusing on APIs, blockchain or the implementation of specialised software with low success rates.

Jerwin Tholen
Partner Sustainability
KPMG NL

Group C

Barriers and Accelerators for Adopting Standards by FMCGs and Suppliers

Led by:
Jerwin Tholen

APIs, platforms, common languages (e.g. GS1) etc. have been developed and can be applied by companies to create more standardisation/harmonisation in their sector, but is this needed? How to ensure commitment from suppliers? Are there any barriers or costs involved?

The objective of this workshop was for participants to ideate and share experience on the harmonisation of data for all tiers within a supply chain and applicability on a sector-wide level as one of the drivers for data efficiency and willingness to provide the required data by consumer goods companies.

Key takeaways from this workshop

Having all participants agree on the fact that "data is money", they were then asked to brainstorm on how all different actors within a supply chain can be incentivised to provide the required data also at a high quality. The following ideas were then discussed:

1. Two pricing models for products: a default one in which product origins are not included and a slightly more expensive one detailing on the product's trail and sustainability attributes.

2. Who should own all the data?

3. Should price premiums be provided directly to the farmer/smallholder?

4. How will the flow of data be synchronised with the flow of money?

5. Should brand value in a world of increasing consumer demand be enough of an incentive?

...yielding the following key takeaways:

- Who pays for the data? – There is an obvious cost related to transforming whole supply chains into standardised data flows. In order for such initiatives to become desirable by most actors, a few players need to take the first step and support such strategies. This would then inspire the rest to also join and contribute financially

- Think in terms of whole value chains – In order for standardisation to work, information needs to flow from all levels of the supply chain meaning that all different actors need to adhere to the same set of rules

- Trust the consumer – The big question is whether, ultimately, end-consumers are willing to pay for product transparency. Some businesses have achieved success on the basis of being transparent and proving impact. This has resulted in a level of replication, indicating that companies are seeing the business case for providing additional product information. It remains to be seen, though, whether this will be enough to drive changes at sector level and have data standardisation as the new norm.

Shivani Kannabhiran
Policy Advisor
OECD Centre for Responsible
Business Conduct

Roundtable Discussion on the Future of Supply Chain Transparency

It has become clear that the main drivers for supply chain transparency stem from consumer demand as well as legislation. To achieve this on a sector wide basis, co-operation will be a key ingredient together with the willingness to invest in (initially small and simple) joint initiatives. An obvious question is then who should take the lead in challenging the status quo. But an even bigger (and potentially scarier) question is how data will be handled in such future supply chains. Throughout the roundtable discussion, participants expressed their position on a need for data standardisation and data quality in order to achieve full supply chain transparency.

Building up such standards will be challenging. As governments are slow in developing them, the push needs to come from the different industries. They need to align on minimum data requirements for their products and how to gather that information in a harmonised manner.

Very few past initiatives have managed to capitalise on digitalising their supply chain (e.g. through a blockchain framework). But recent trends indicate towards a growing online market and with it comes a wealth of data. The future of supply chain transparency will consist of rethinking the value of all that data, operationalising it and discerning the 'good' from the 'bad' data.

Concluding Remarks

The Amstelveen SpringBoard proved to be a great success with experts sharing their knowledge and best practices on the critical supply chain transparency issues facing the industry today. The valuable opportunities to network allowed participants to make new connections and strengthen existing ones, ensuring continued collaboration going forward. Inspiring, insightful, and purpose-driven are among some of the keywords used by participants to describe the workshop in concluding the event.

Thanks for everything and see you at the next SpringBoard!

About The Consumer Goods Forum

The Consumer Goods Forum ("CGF") is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 3.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain.

It is governed by its Board of Directors, which comprises more than 50 manufacturer and retailer CEOs.

For more information, please visit:
www.theconsumergoodsforum.com

Contact:
Ruediger Hagedorn
Director, End-to-End Value Chain
The Consumer Goods Forum
r.hagedorn@theconsumergoodsforum.com
(+49) 17 16 93 55 83

About KPMG

KPMG is a global network of independent member firms offering audit, tax and advisory services.

We combine our multi-disciplinary approach with deep and practical industry knowledge to help our clients meet challenges and respond to opportunities.

Pressure is increasing for businesses to build transparent supply chains where they are expected to take responsibility for how their suppliers affect people and the environment.

The list of issues to address can be daunting: from ensuring safe working conditions to paying fair wages; ending child labour to improving product traceability; using water responsibly to avoiding corruption. And there is no shortage of stakeholders ready to hold companies to account for their failings; regulators, journalists, lawyers, customers, consumers, communities and others are all piling on the pressure. Therefore, building a

sustainable and / or transparent supply chain is no easy task.

KPMG sustainability and supply chain transparency specialists work closely with organizations to help them in their journey, from strategy to implementation or at specific stages where they need help the most.

For more information please visit:
https://home.kpmg/nl/en/home/services/
audit/sustainability/supply-chain-transpar-
ency.html

Contact:
Jerwin Tholen
Partner Sustainability
KPMG in the Netherlands
Tholen.Jerwin@kpmg.nl
(+31) 20 656 4584