A top-down view of a breakfast tray on a white marble surface. The tray contains a white coffee cup with a lid, a small glass jar of red jam with a spoon, a butter knife with butter on the blade, and two golden-brown croissants. One croissant is partially eaten, showing its flaky interior and a filling of butter and jam. The background is a white marble surface with some crumbs.

How to conduct an ethics audit on suppliers in the food industry

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coop

With an increased focus on labor immigration from outside of Europe, and working conditions in high-risk countries, the social conduct and ethics of companies in the supply chain is a growing concern.

Given the importance of consumer and media perception, code of conduct audits are on the rise. It is one thing to have your supplier sign ethics agreements, but how do you follow them up?

- Coop's journey – how we work, what to avoid, and what the experience has been
- Setting clear goals and targets – recommended KPIs and grading systems
- Improvement programs for non-compliant suppliers

Animal welfare

Product inspection

**Social
compliance**

Product safety

Environment

**Supplier
development**



Use of chemicals

Quality system

Poor dormitory condition



Child Labor



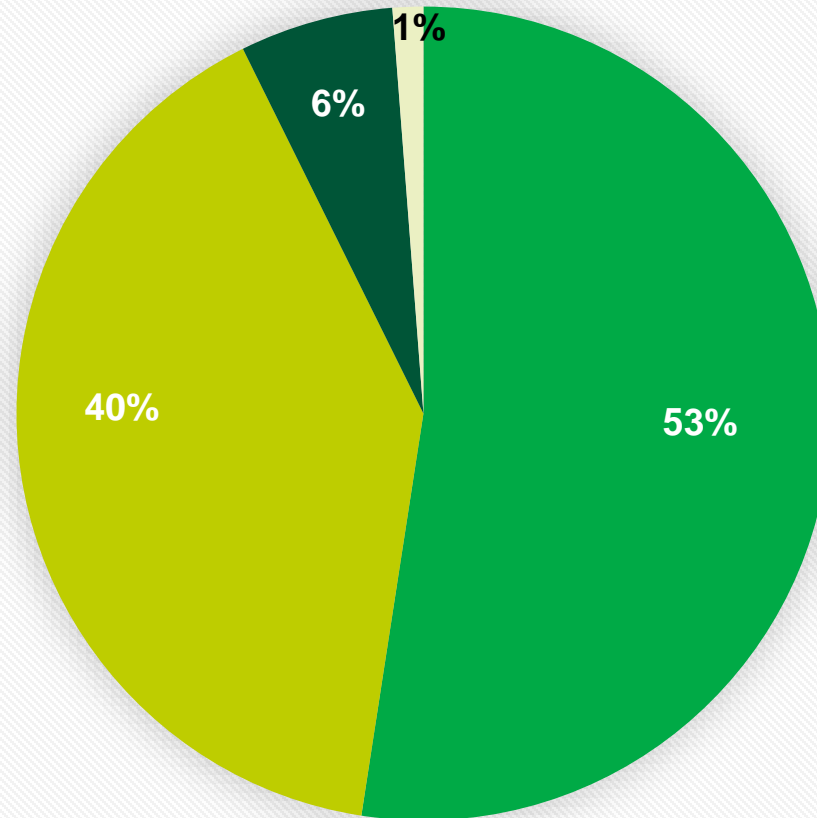
Lacking fire equipment



Food vs Non-Food

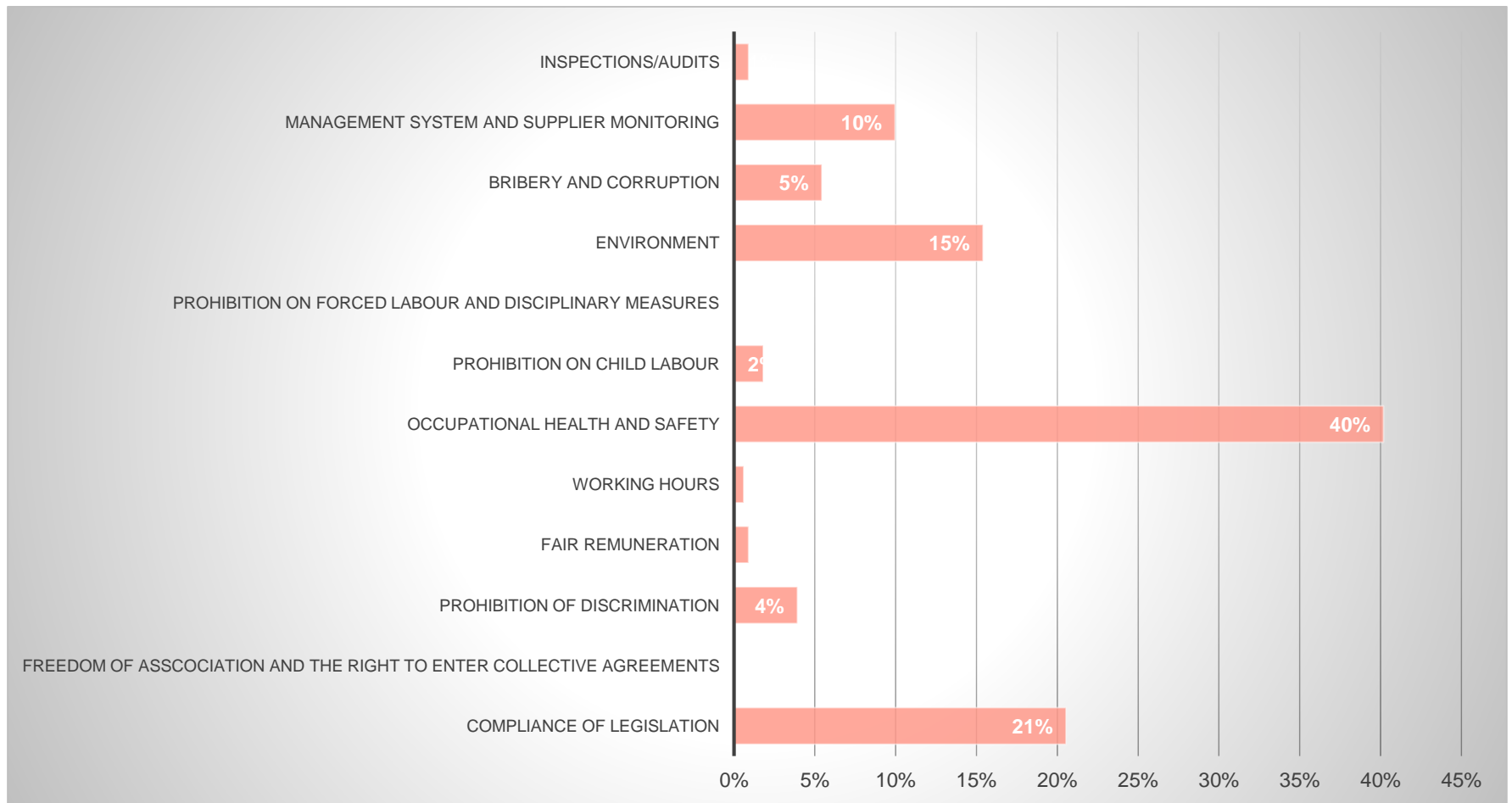
Common problems	Food factory	Non-food factory
Child labor	50%	36%
Forced labor	50%	25%
Lacking age verification	92%	64%
Minimum wage violation	92%	64%
Excessive OT	67%	68%
Unreasonable disciplinary practices	83%	57%
Lacking of fire equipment	92%	61%
Poor toilets	83%	64%
Poor dormitory	83%	25%
Falsified record	0%	46%

Audit result Coop Code of Conduct



■ Approved ■ Approved with adjustments ■ Follow up audit is required ■ Not approved

Distribution of non compliances Coop Code of Conduct





- Join an initiative.
- Use more information sources.
- Risk based prioritizing.
- Build a robust organization team - avoid in-house audit team.
- Focus on capacity building and local collaboration.
- Develop 3rd party certification schemes.

Supplier strategy

Shorter lead times, not in sync with supplier's capacity and agreement, cause problems:

Shorter production times, rush orders, last-minute changes and abrupt order cancellations will contribute to factories requiring illegal overtime hours, child labor, subcontracting to other facilities.

Footloose sourcing must be avoided:

Lack of long-term commitments to specific suppliers and factories will send negative signals to suppliers. There is little incentive for a factory to make investments in QA/SC issues on behalf of a buying organization that may not place orders to the factory once improvements are made.

The lowest price is not always the best price:

Constant downward price pressure without facts will seriously impact the ability of suppliers to meet basic labor standards at their factories. In a competitive environment many Asian suppliers will do their outmost to meet a price, even if it means abusing the agreed and contracted QA and/or SC.

Thank You!

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