IFS Processes Check

GUIDELINE

How to prepare the IFS Supply Chain Processes Check

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ENGLISH

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CONTENT

INTRODUCTION

For many years, supply chains were built with a focus on cost efficiency, just-in-time concepts and fast deliveries. Thus, supply chain risk management focused mainly on these aspects. At the same time, supply chains have been increasingly globalised and characterised by volatility, uncertainty, complexity and ambiguity.

When deciding on a supplier for a certain product or raw material, both locally and abroad, it is no longer just delivery times, reliability and prices that count. Other factors have gained more importance, such as geographical location, possible transport routes or geopolitical developments. These non-traditional supply chain factors need to increasingly be taken into account during the sourcing process, to limit potential adverse effects and their risks and secure supplies. Companies need to also ensure that their up- and downstream business partners comply with environmental and social standards as well as fundamental human rights and fair labour conditions. Risks are increasingly perceived beyond the 'usual' segments of the supply chain that are typically affected by them. For instance, risks related to cybersecurity, new technologies or pests and diseases are being increasingly recognised by stakeholders, even though they are less studied in the literature than other risk types. These emerging risks will require further attention in the future.

Risk perception, however, differs across countries, sectors and stakeholders, highlighting the complexity of setting up a coordinated and comprehensive preparedness strategy. For example, within the EU, Southern Europe appears to be more affected by biophysical and environmental risks, while Eastern Europe and island member states seem to be more affected by operational supply chain risks, and the south-eastern part of the EU is more affected by socio-cultural and demographic risk[1].

The goal of the IFS Supply Chain Processes Check is to address the various risks that occur or could occur in the supply of products and their ingredients. The check aims to create transparency and analyse identified risks and monitor them with appropriate measures. By conducting a comprehensive and systematic supply chain analysis, combined with a risk-based assessment, companies can effectively manage risks, improve transparency, and ensure compliant practices throughout their supply chain. Continuous monitoring and regular updates to the analysis are key to maintaining compliance and resilience in the face of changing global conditions.

Moreover, and to support supply chain transparency, IFS has developed a commodity list which companies can use to manage the critical raw materials identified within the risk analysis and communicate important supply chain information about these raw materials to their customers.

1 https://publications.jrc.ec.europa.eu/repository/handle/JRC135290

APPROACH OF THE SUPPLY CHAIN PROCESSES CHECK

The basis of the IFS Supply Chain Processes Check is a set of general requirements that focus on validation, whether a fundamental supply chain risk management system is implemented throughout the company and the level of maturity it has reached.

Implementing a risk-based analysis of the supply chain risk management requires a structured approach to identify, analyse, and monitor risks. Regular revalidation ensures that the system remains up to date with legal and regulatory changes, while documenting critical raw materials in the commodity list provides a clear understanding of areas of vulnerability in the supply chain.

To achieve this, a digital list is provided by IFS, where identified critical raw materials, selected from a pre-defined list, are documented and shared with customers in order to improve transparency within the supply chain.

The auditor will check whether the requirements have been fulfilled by the company, i. e. a policy is implemented, a code of conduct set up for the suppliers and whether the company has set up a systematic risk analysis and monitoring measures based on a mapped and transparent supply chain. Moreover, the auditor will check whether the commodity list contains the pre-defined commodities which are handled or produced by the company.

In case the company has made certain claims on its products in regard to health, social or environmental aspects, the auditor will check whether the company has conducted a risk assessment and implemented a system for verification of these claims.

As a last step, the auditor will check which systems the company is using for data transfer between the supply chain partners and how the timeliness of the relevant data is ensured.

About this guideline:

This guideline contains basic expectations on the implementation of the requirements. For each section, there are explanations to the relevant requirements (“What does it mean”) as well as expectations on what the company should have in place (“Evidence”) to prove compliance and what the auditor is requesting during the Supply Chain Processes Check. A “shall” is considered as a clear expectation for compliance with the requirement. Non-compliance will result in a lower score for the specific requirement.

As the topic is new for most small and medium-sized enterprises (SMEs), practical guides are laid down in the Annex to give guidance on the best practice approaches as to how the company can implement the requirements, such as developing a code of conduct for suppliers, mapping the supply chain, identifying risks, conducting a hazard analysis and risk assessment, setting up monitoring measures and conducting a risk assessment for claims. These practical guides are not mandatory but should rather serve as support while implementing the requirements.

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1. General considerations

1.1 Challenges of supply chain risk management

Addressing the challenges of supply chain risk management (SCRM) is a complex task, essential for the effective and efficient operation of modern supply chains. The following challenges are associated with it:

1. Complexity in global supply chains:

In an increasingly globalised world, supply chains can span across multiple countries and continents, intertwining various legal, cultural, and economic systems. This global network, while advantageous for business expansion and cost reduction, also introduces complexities. These include diverse regulatory requirements, political instabilities, and varied logistical challenges. Effectively managing these complexities requires an in-depth understanding of international trade dynamics and the ability to navigate different regulatory landscapes.

2. Data management and quality:

The success of supply chain risk management heavily relies on the quality and timeliness of data. Accurate, real-time data is crucial for making informed decisions and anticipating potential disruptions. However, collecting, processing, and analysing vast amounts of data pose significant challenges, especially in ensuring data integrity and security. The challenge is not only to gather this data but also to interpret it effectively for meaningful insights.

3. Changing risk landscape:

The risk landscape is constantly evolving, with new threats emerging regularly. Cybersecurity threats, for instance, pose a significant risk to digital infrastructure in supply chains. Climate change also introduces new environmental risks, affecting sourcing, production, and logistics. Adapting to these changes requires agility and a proactive approach in risk management, as well as staying abreast of emerging trends and technological advancements.

4. Resource allocation:

Implementing effective supply chain risk management strategies often requires significant investment in terms of time, finances, and human resources. Organisations need to balance these investments with other business priorities. The challenge lies in convincing stakeholders of the long-term value of SCRM, securing adequate resources, and optimally allocating them for maximum risk mitigation impact.

5. Collaboration and communication:

Effective SCRM necessitates collaboration and communication across various departments within the company and with business partners such as suppliers, logistics service providers, and customers. However, creating a collaborative environment can be challenging, especially when dealing with external partners who have their own priorities and systems. Ensuring seamless communication, shared objectives, and aligned risk management strategies among all parties is crucial yet often difficult to achieve.

1.2 Supply chain risk management – transparency as a key element

To achieve a solid and agile supply chain risk management, transparency is required, which refers to the practice of openly sharing information about the journey of a product from its origin to the end consumer – for food, this is from farm to table.

It involves providing customers with detailed information about the various stages involved in the production, processing and distribution of products, as well as the sourcing of raw materials and the use of production techniques.

To achieve transparency, companies must firstly "map" their supply chain, i. e. collecting and analysing data at every stage of the supply chain. This includes information on the origins of raw materials, the processing and packaging of products, and the transportation and storage of goods. Companies must also be willing to share this information with customers and other stakeholders, through chain of custody data or channels such as packaging labels, websites and social media.

The depth of required interactions in the supply chain is company specific, depending for example on the code of conduct (requirements about supplier practices regarding environmental, social and governance compliance) and sensitivity of raw materials to product authenticity.

Transparency can benefit companies in several ways. Firstly, it can help build trust and credibility with customers, who are more likely to purchase products from companies that are transparent about their operations. Secondly, it can help companies identify and address any potential issues in the supply chain, such as breaches of human rights or environmental standards or product fraud risks. By having a clear view of the entire supply chain, companies can take steps to mitigate these risks and improve their operations.

1.2.1 Challenges for supply chain transparency

Many companies find it difficult to obtain the information they need from their up- and downstream supply chain partners, such as suppliers, brokers, logistics or storage service providers. One reason for this is that over the last few decades, supply chains were not designed to be transparent. Companies and suppliers fear that divulging too much information would undermine their competitive advantage or expose them to criticism. Another reason is relevant information, such as details of upstream supply chain practices, may not be collected or if it does exist, may be not comprehensive or ambiguous.

Collecting information from suppliers can be a challenging task for companies. Some of the challenges they may face include:

1. **Lack of visibility:** As products move, it can be difficult to track their origin and production. Indirect suppliers may be located in different regions or countries and may use different production methods or materials. This can make it hard for e.g. food producing companies to gain visibility into their entire supply chain.
2. **Limited resources:** Collecting information from a large number of suppliers can be a time-consuming and resource-intensive task. Companies may not have the personnel or technology needed to effectively manage a complex supply chain.
3. **Data quality:** Even when information is collected, it may not be accurate or up to date. Smaller suppliers further down the supply chain may not have the same level of resources or expertise as larger companies, which can lead to errors or inconsistencies in data.
4. **Communication barriers:** Language and cultural barriers can also be a challenge when communicating with suppliers in different regions or countries. Misunderstandings or miscommunications can lead to delays or errors in the supply chain.

1.2.2 Improving supply chain transparency

Overcoming the aforementioned challenges requires teamwork within organisations, a coordinated effort from different departments. Multi-departmental teams can use existing tools and frameworks to deepen the understanding of the company's supply chain.

Companies can take the following steps:

1. **Implement a supplier engagement program:** Engage with suppliers to build a relationship of trust and encourage them to share information. This can include regular meetings or surveys to gather information on their practices and performance.
2. **Simplify the process:** Develop a streamlined process for collecting information that is easy for suppliers to follow. Use clear language and provide examples to ensure that suppliers understand what is required.
3. **Use technology:** Utilise technology such as supplier portals or automated data collection tools to simplify the process of gathering information.
4. **Set clear expectations:** Clearly communicate the expectations for suppliers regarding the quality and accuracy of the information they provide.
5. **Audit and monitor:** Monitor supply chain and suppliers to ensure that they are meeting the required standards and to identify any areas for improvement.

1.3 Claims management

In recent years, there has been an increasing demand for transparency in the food industry, with consumers becoming more interested in where their food comes from and how it is produced. This can be seen in the ever-increasing presence of product claims on the market, highlighting the origin of raw materials, such as PDO (Protected Designation of Origin), the type of processing involved in farming, such as organic, or social welfare criteria being employed in the production of the raw material, such as fairtrade.

Making environmental claims such as "eco-friendly or "sustainable" can attract consumers who are conscious of the environmental impact of products. Social product claims, such as "Fairtrade," "ethically sourced", or "socially responsible", are critical for brands that want to demonstrate their commitment to social issues such as fair wages, labour rights and ethical supply chains. However, these claims come along with risks, including regulatory scrutiny, consumer skepticism, and reputational damage, if the claims are not properly substantiated.

Claims also tend to come with a premium in price – organic products vs conventional or extra virgin olive oil from a specific country/region vs a non-specified olive oil.

Ensuring product integrity for these claims and products is especially important for customer trust. If a claim turns out to be false or fake, customers feel cheated and are upset on an emotional level, rather than „just" complaining about poor quality products.

In addition, companies are under pressure to disclose information about their supply chains from governments and NGOs and failure to do so can result in reputational damages. Many companies have adopted transparency as a key element of their supply chain management to comply with these demands and ensure continuous verification of product claims.

Therefore, claims management has been introduced to the IFS Supply Chain Processes Check, to incorporate this important topic in the overall supply chain approach on transparency and product integrity.

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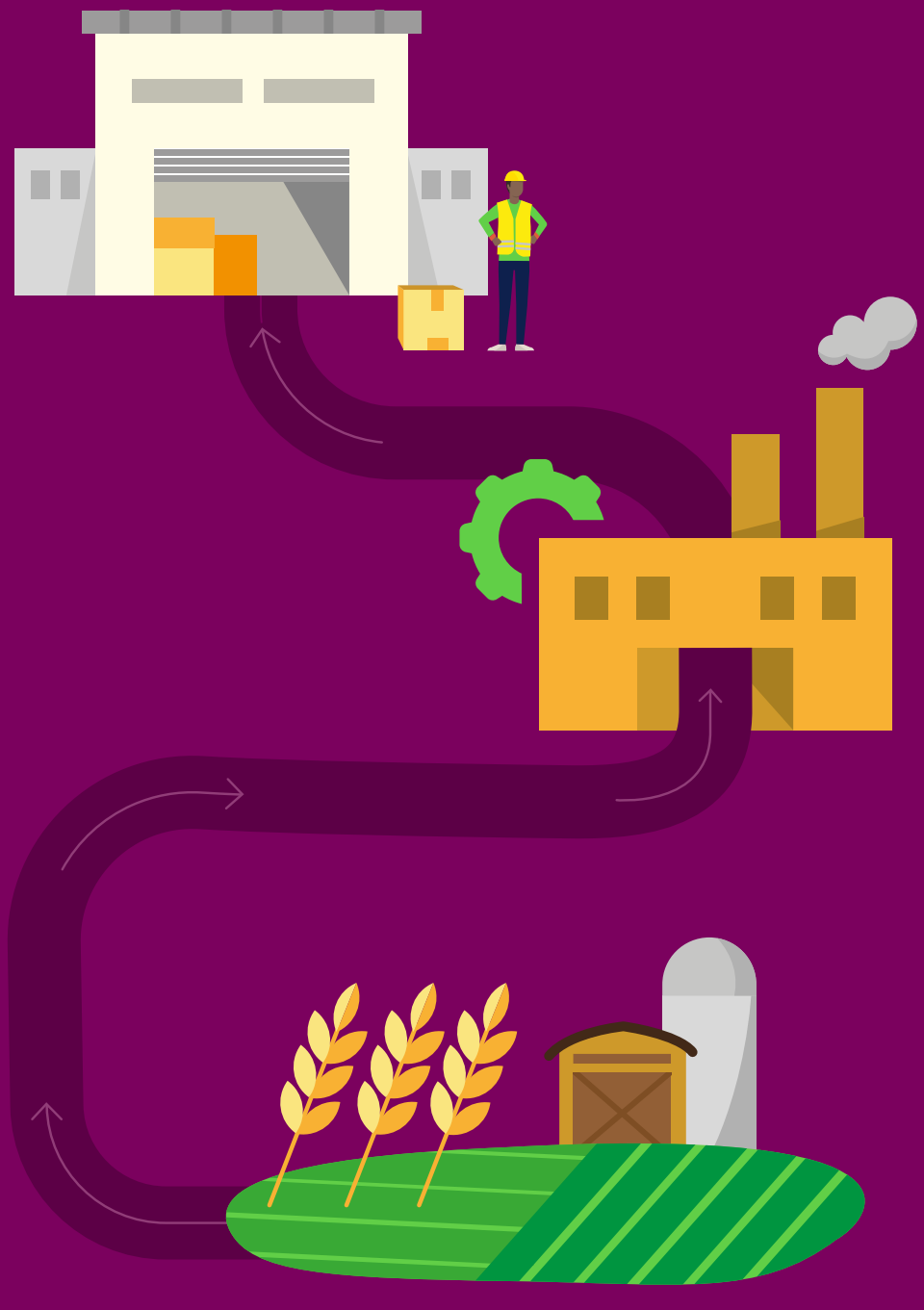


2. IFS Supply Chain Processes Check – Checklist requirements

REQ NO	QUESTIONS
1	**Governance and commitment**
1.1	The senior management has included a framework for supply chain risk management in the corporate policy.
1.2	The supply chain risk management policy is known to employees in the relevant departments and is broken down into measurable objectives for the respective departments.
2	**Communication of code of conduct**
2.1	The company has developed a code of conduct for partners in the supply chain, which is based on the 10 principles of the UN Global Compact.
2.2	The code of conduct is communicated to relevant employees and supply chain partners and confirmed by the supply chain partners.
3	**Overview of the supply chain**
3.1	An up-to-date and systematic supply chain analysis is available for the company, which shows the company's position in this chain.
3.2	The supply chain analysis is risk-based in order to identify partners in the supply chain who are involved in the manufacture and distribution of the products.
4	**Risk-based analysis of the supply chain**
4.1	The company has a system in place to identify potential risks within its own supply chain.
4.2	A hazard analysis shall be conducted for all possible and expected hazards and the identified risks shall be documented.
4.3	A revalidation, taking into account current developments and legal regulations, is carried out at least once within a 12-month period or whenever significant changes occur.
4.4	The company shall fill in the pre-assessment commodity list, using the pre-defined list of critical raw materials, as applicable.
5	**Compliance of supply chain partners**
5.1	Supply chain partners are informed about the legal provisions to be complied with (e. g. CSDDD).
5.2	The company has introduced a system to monitor supply chain partners with regard to compliance with customer requirements. The selection of partners and the frequency of monitoring is risk-based.
5.3	The company has implemented a notification and complaints procedure to record non-compliance by supply chain partners.
6	**Claims management**
6.1	The company has carried out a risk assessment for the claims used.
6.2	Based on the risk assessment, the company has introduced a system that verifies the claims used.
7	**Data management in the supply chain**
7.1	An effective data management system shall be in place that ensures that the data for vertical systems, which is transmitted both electronically and manually, is reliable.

2.1 Governance and commitment

1	Governance and commitment
1.1	The senior management has included a framework for supply chain risk management in the corporate policy.
1.2	The supply chain risk management policy is known to employees in the relevant departments and is broken down into measurable objectives for the respective departments.

What does it mean?

- Supply chain risk management starts with establishing policies within the entire company. A corporate policy is setting the fundamental basis for the long-term development of the company. Besides general and already well known and established factors such as customer orientation, ensuring legal compliance, product safety and quality orientation, it is important to also include policies regarding its supply chain and business partners. Such policies shall include clear long-term development goals regarding supplier reliability, transparency and due diligence matters (such as ethical compliance, i.e. mitigating adverse human rights during sourcing of raw materials or semi-finished products, and mitigating and elimination of adverse environmental impacts).
- It is important to make all relevant employees aware of the policies defined and to build awareness for the employees on their effects of work. Once they understand their roles and responsibilities, they will be able to incorporate the policies into their ways of working. For this, the relevant departments and employees affected by the established policies need to be identified to ensure that everybody involved in the supply chain activities can act accordingly. An example of departments which may be affected by due diligence matters can be found in the **ECD Due Diligence Guidance for Responsible Business Conduct**.
- Derived from the policies which have been set up, measurable objectives shall be defined and monitored. Measurable objectives are essential for evaluating progress – when an objective is specific and measurable, it can be monitored and assessed better, and it is more likely to be achieved.
- A useful tool to establish measurable objectives is the "SMART" approach, which means an objective should be based on the following parameters: **S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime-Bound.

Example for a measurable objective:

- *Onboarding and approval of an alternative supplier for coffee beans (arabica) from Nicaragua, with minimum deliverable of 3,5 tons until Q3 2025.*
- *Joining and active participation in the multi-stakeholder initiative "SustainabilityForFood e.V." until the end of 2025.*
- It is necessary to identify and allocate the departments which are responsible for achieving certain objectives, or which are affected by it, and ensure their awareness about it. Employees are then able to work towards these objectives and thus increase the likeliness of achieving them.

Evidence

- Written corporate policy or policy statement(s), which clearly includes a description of the company's approach on supply chain risk management, including statements on long term goals on cooperation, transparency and due diligence with their business partners along the supply chain (up- and downstream)

- Records on how departments have been identified as relevant within the company (such as purchasing/procurement, quality, logistics, legal/compliance, etc.)
- Records of communication of the corporate policy or policy statement(s) to employees, e. g. as part of a newsletter, intranet, as part of the onboarding of new employees (The policy should be readily available for employees in multiple languages, if necessary.)
- Policies or – derived from it – a code of conduct for the company internally, with records of communication to employees, which shall be available in multiple languages, if necessary
- Updates / versions and progress of the policy in the past years
- Documents with information on the objectives and KPI's set within the company related to the policy, e. g. strategy documents, performance updates / reports, including allocation to the relevant department(s)

2.2 Communication of code of conduct

2	Communication of code of conduct
2.1	The company has developed a code of conduct for partners in the supply chain, which is based on the 10 principles of the UN Global Compact.
2.2	The code of conduct is communicated to relevant employees and supply chain partners and confirmed by the supply chain partners.

What does it mean?

- The supplier code of conduct (CoC) is an important tool within the supply chain management, to inform and agree with partners in the supply chain about rules and principles to be followed. By creating a supplier code of conduct, clear expectations for suppliers/partners are set in a way they can consult and engage with. It is even more important when the company sources materials and products from countries where environmental and/or human rights and labour laws are either lacking or under-enforced.
- Through the code of conduct, the company communicates its expectations from its suppliers or partners. As an external obligation, the CoC constitutes the interface between the company's own supply chain management values and goals and the behavior it wishes its suppliers to exhibit. A CoC usually addresses direct suppliers.
- The 10 principles of the UN Global Compact (UNGC) shall be considered as a starting point on covering environmental and human rights aspects within the suppliers' code of conduct. The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact's ten principles are derived from:
  - The Universal Declaration of Human Rights
  - The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
  - The Rio Declaration on Environment and Development
  - The United Nations Convention Against Corruption

- Once the supplier code of conduct is established or adapted, communication shall be made to all relevant parties, i.e. all suppliers, service providers and employees within the company, who are affected by the rules and principles of the CoC. The method of communication can vary and should be in alignment with the companies' general procedures.
- The company shall seek confirmation of the CoC by the supply chain partners, to ensure that the rules and principles are acknowledged and understood. To achieve this the company shall develop convenient methods of communication with its business partners, in accordance with the requirements of chapter 2.7 Data management in the supply chain.

Evidence

- Written version of the supplier code of conduct, including a minimum of the 10 principles of the UNGC (or even more principles regarding human rights and environmental matters)
- Records of employee trainings or personnel interviews, meeting minutes which contain outlines of communication of the code of conduct in its latest version
- Written confirmation of supply chain partners that the CoC (in its current version) is acknowledged and confirmed (this can be done by different means, e.g. digitally via a supply chain management tool or digital signature or printed version)

A practical guide on how to develop a supplier code of conduct can be found in Annex 1

2.3 Overview of the supply chain

3	Overview of the supply chain
3.1	An up-to-date and systematic supply chain analysis is available for the company, which shows the company's position in this chain.
3.2	The supply chain analysis is risk-based in order to identify partners in the supply chain who are involved in the manufacture and distribution of the products.

What does it mean?

- The company shall maintain a detailed and regularly updated overview of its entire supply chain, which includes identifying all suppliers, distributors, and other stakeholders involved in the production and processing, logistics, and distribution of its products. This analysis shall clearly indicate where the company sits within this network.
- The aim is to have a transparent and comprehensive map of the supply chain, from raw material sourcing to final product delivery. To gain an overview about the supply chain(s) of purchased semi-finished products or raw materials, the company needs to map (via flow chart or similar,) for each final product the company is selling, all their up- and downstream supply chain partners, including their role associated with the product.
- In case a product ingredient is sourced from different suppliers or distribution is carried out by several

logistics service providers, a visualisation is to be drawn in order to gain a comprehensive view about the different partners.

- The company shall conduct a risk-based assessment of its supply chain, focusing on identifying partners that may pose operational, economic, political, environmental, social or cybersecurity risks (see Annex 3, list of risk factors).
- The analysis shall highlight areas of concern in relation to the supplier and its location, such as human rights violations, environmental impacts, or economic instability. Prioritising high-risk areas enables the company to take preventive action and ensure compliance with sustainability, regulatory, and ethical standards.
- The type of supply chain analysis may vary, as there are plenty different tools available and science is still adapting to the evolving supply chain requirements companies have to deal with, especially now that ESG due diligence needs to be taken into account within the supply chain risk management as well. However, key steps of a supply chain analysis are risk identification, hazard analysis and risk assessment and these must be complied with.
- More elaborated or advanced methodologies of risk assessment methods can be used to comply with the requirements, such as the PPRR Risk Management Model or the Enterprise Risk Management Model (ERM), as long as they are based on a systematic approach and include the main steps. Please refer to Annex 3 for more information.

A practical guide for developing a system for supply chain mapping can be found in Annex 2

Evidence

- Documented supply chain analysis which includes the current state of suppliers and service providers, and which is based on a risk management methodology
- Records about the identification of the product flow (from sourcing to customer) including identification of the different supply chain partners (production, distribution or service providers)
- Detailed profiles of each supply chain partner as identified in the risk assessment, including certifications and compliance records
- Copies of supplier contracts with clauses on sustainability, human rights, and environmental responsibility
- Historical data on supplier performance, showing compliance and delivery records

2.4 Risk-based analysis of the supply chain

4	Risk-based analysis of the supply chain
4.1	The company has a system in place to identify potential risks within its own supply chain.
4.2	A hazard analysis shall be conducted for all possible and expected hazards and the identified risks shall be documented.
4.3	A revalidation, taking into account current developments and legal regulations, is carried out at least once within a 12-month period or whenever significant changes occur.
4.4	The company shall fill in the pre-assessment commodity list, using the pre-defined list of critical raw materials, as applicable.

2.4.1 Risk identification

What does it mean?

- The company shall establish a system to identify and assess potential hazards and their related risks associated with all stages of the product ingredients and their production and distribution along the supply chain. These risks may include supply continuity risks, legal compliance risks, environmental issues or social factors.
- The system shall cover all supply chain components and stages, including raw materials sourcing, transportation, processing, storage and distribution.
- The company is required to develop a risk identification framework that includes relevant measures and tools to be able to identify potential risks, such as supplier questionnaires, monitoring external data sources, supplier audits or stakeholder collaboration to gather insights and trends.
- The company shall use the risk factors as laid down in Annex 3, to cluster the specific risks into the main factors: economic, environmental, political, social, and others (for example, operational or cybersecurity risks and other possible risks not fitting into the other groups).
- Results from the monitoring activities as well as the notification mechanism and complaint procedure shall also be taken into account for the risk identification.

A practical guide for developing a system for risk identification can be found in Annex 3

Evidence

- Procedure outlining the company's process for potential risk identification, assessment, and management
- Records of historical data on identified risks received through the notification mechanism and complaints system for certain suppliers, including audit reports and supplier questionnaires
- Evidence of internal or external tools or software used to track, assess, and mitigate supply chain risks
- Records from the notification mechanism and complaint procedure outlining actual or potential new risks
- Documented identified risks for each raw material in relation to the product for which it is used and the identified risk factor and risk category

2.4.2 Hazard analysis and risk assessment

What does it mean?

- Based on the overview of the supply chain (see chapter 2.3) and identification of the business partners who are involved in the supply of critical raw materials, the company shall conduct a hazard analysis and risk assessment for all products and their ingredients for which a risk factor has been identified and classified.
- The risk assessment shall consider the following two dimensions: probability of occurrence (likelihood) and the level of potential damage (severity). These two dimensions can be determined both qualitatively and/or quantitatively. Quantitative techniques can be based on past statistical evaluations or can be carried out with the help of simulation models. For small and medium-sized companies however, it may be challenging to determine quantitative dimensions on certain aspects, especially when establishing a supply chain risk management.
- The assessment of the probability of occurrence (likelihood) and the level of potential damage (severity) shall result in a certain level of significance when determining whether an ingredient of a product needs to be considered as a critical raw material.
- A raw material is considered "critical" if the raw material has a level at or higher than the overall significance that is defined by the company to result in a critical raw material. IFS cannot prescribe the risk priority; this is an individual decision made by the company. However, the reasoning behind this decision should be made on sound judgement and be documented. As a guidance, many companies consider raw materials with an overall significance from medium to severe to be of a critical nature.
- The Pre-assessment commodity list in the IFS auditXpress Neo Software has a list of raw materials that are considered to be of a critical nature for economic, environmental, social and political risk factors. If a company handles or produces any of these commodities, it is expected that particular attention is paid to them within the hazard analysis and risk assessment.

A practical guide on the steps and best practices how to conduct a hazard analysis and risk assessment can be found in Annex 4

Evidence

- Procedures outlining the steps of the risk assessment methodology
- Documented risk assessment for each product or raw material where a risk factor has been identified
- Records about the sources the company used to determine the levels of likelihood and severity for each risk factor analysed
- Documented final risks and overall significance level for the assessed raw materials
- Documented decision on which raw materials are considered critical

Remark: As this risk assessment is considered as an initial step in identifying critical raw materials, the depth of the analysis is limited. For conducting a more elaborated and deeper analysis on certain risks and the development of relevant mitigation strategies, please refer to the following guidelines, depending on the nature of risk:

- refer to the **IFS Product Fraud Mitigation Guideline** (for economic risk factors)
- refer to the **IFS ESG Compliance Guideline** (for environmental, social and political risk factors)

2.4.3 Revalidation

What does it mean?

- Revalidating a supply chain analysis and its hazard analysis and risk assessment is crucial for ensuring the ongoing effectiveness of risk management strategies, especially in the face of evolving market conditions, regulatory requirements, and environmental challenges. It involves revisiting and reassessing the original analysis to confirm its accuracy, relevance, and applicability.
- The company shall clearly define the scope of the revalidation (especially for revalidations carried out during the year when a significant change occurred). This includes specifying which parts of the supply chain analysis are to be re-examined and why. The objective is to determine if the previously identified risks and mitigation strategies are still valid or if new risks have emerged.
- The company shall look back at the data from the original analysis to see how actual events compared to the predictions or expectations. Discrepancies, successes and failures need to be identified to understand if the initial assumptions or models were accurate. The aim is to assess the accuracy of the risk forecasts of actual and potential risks and its analysis.
- A new risk assessment shall be conducted, to determine if any risks have evolved or new risks have emerged. Environmental, social, political, economic, operational, and cybersecurity factors should be re-evaluated. The focus here is to determine whether the risk landscape has changed due to e. g. supplier performance, new market conditions, climate change, geopolitical developments, regulations or technologies.
- Based on the findings from the revalidation process, the company shall update the risk management and monitoring plans. This includes refining strategies for monitoring and responding to supply chain disruptions as well as ensuring new risks are covered.
- A significant change could be a new or modified product, change of a key supplier, prolonged drought in a sourcing country, significant political instability or even war in a sourcing country.

Evidence

- Documentation of the updated supply chain analysis and risk analysis, including traceable dates of performance
- Supply chain objectives, key performance indicators (KPIs), and regulatory requirements including results showing whether contingency plans (e. g. backup suppliers, alternative routes) can handle identified risks
- Scheduled review dates for revalidation, ensuring the process is cyclical and adaptive to new risks
- Continuous feedback from stakeholders and supply chain participants to improve the system, including stakeholder input from different sources, outlining areas of concern
- Historical supplier performance data (e. g. delays, disruptions, cost overruns, etc.) or reports on supplier performance and incident logs
- Monitoring tools such as risk dashboards, real-time data feeds (e. g. weather, geopolitical alerts, etc.) and compliance trackers
- Trends from the industry and market conditions that may have changed since the last analysis
- Updated risk management plans, new contingency strategies and documented procedures for dealing with emerging risks
- Agreements with new suppliers, or modifications to existing contracts to mitigate risks

2.4.4 Commodity list

To support supply chain transparency, IFS has developed a commodity list which companies are requested to use to communicate important supply chain information to their customers.

There is a pre-defined list for selecting commodities, relevant to the company, that are considered to be of a critical nature for economic, environmental, social and political risk factors.

This pre-defined selection of commodities was chosen to set a focus on specific commodities which are seen as critical and to ensure that companies are not overwhelmed by documenting all of their idenitified raw materials.

The list is used to provide a clear understanding of areas of vulnerability in the supply chain. It contains the following data points:

1. **Ingredients**
   Use the pre-defined list for selecting commodities, relevant to the company, that are considered to be of a critical nature for economic, environmental, social and political risk factors.
2. **Country of origin of the ingredient**
   List the country of origin for each listed raw material and ingredient
3. **Province**
   For a more detailed location, list the province of the country
4. **Supplier description**
   A text field where information about the supplier can be entered
5. **Risk category / Description**
   Use the pre-defined list to allocate a risk category (see Annex 3 for further details)
6. **Auditor comment**
   A text field where the auditor can add further information

What does it mean?

- Even though the company identifies critical raw materials for all its products and raw materials in its supply chain when conducting the hazard analysis and risk assessment (see chapter 2.4.2), it is not expected of them to enter data of the whole analysis in the commodity list. Only a selection of pre-defined critical raw materials must be documented in the IFS auditXpress Neo Software. This is however regardless of the outcome and severity level identified by the company as it is expected that these listed commodities are anyway identified as critical.
- The company shall give details regarding the following: raw material, country (and province) of origin and identified risk factors. Explanation of further details can be entered via the "Explanation of risk category" field.

Evidence

- Data saved in the IFS auditXpress Neo Software: updated and detailed commodity list that includes critical raw materials identified from the pre-defined list
- Product and ingredient lists
- Risk assessment which shows the process of identifying and classifying critical raw materials

- Supply chain monitoring data: records showing ongoing monitoring of critical raw materials, including any adjustments made to the list

2.5 Compliance of supply chain partners

5	Compliance of supply chain partners
5.1	Supply chain partners are informed about the legal provisions to be complied with (e. g. CSDDD).
5.2	The company has introduced a system to monitor supply chain partners with regard to compliance with customer requirements. The selection of partners and the frequency of monitoring is risk-based.
5.3	The company has implemented a notification mechanism and complaints procedure to record non-compliance by supply chain partners.

2.5.1 Informing supply chain partners about legal requirements

What does it mean?

- Supply chain partners shall be informed about relevant legislation, such as the European Corporate Sustainability Due Diligence Directive (CSDDD), the EUDR and other relevant legislation. This ensures that all partners know the legal requirements that apply to their business activities. Clear communication of these regulations is crucial to minimise legal risks and promote compliance.
- For this, legal requirements (such as CSDDD, EUDR, national labour laws, environmental legislation and human rights laws) that apply to the company and its supply chain partners need to be identified.
- The company needs to create a system to communicate the legal requirements to all supply chain partners.
- Various communication methods could help to ensure the information is disseminated effectively. Options include:
  - Emails or newsletters
  - Online supplier portals with legal updates
  - Supplier meetings or webinars focused on legal compliance
- The company could develop and distribute documents that explain the specific legal obligations of supply chain partners. These could be included e. g. in the suppliers' codes of conduct, compliance manuals or guides.
- Ensure the information is available in the languages spoken by your supply chain partners and is easy to understand.

Evidence

- List of applicable legal requirements: a document that outlines all relevant legal frameworks, including CSDDD, and their impact on supply chain operations

- Legal monitoring system: records or tools showing how the company tracks changes in relevant laws and regulations
- Records of emails, newsletters, or other communications sent to supply chain partners regarding legal requirements
- Screenshots or links to supplier portals where legal updates are posted
- Copies of suppliers' codes of conduct or compliance manuals distributed to partners
- Minutes of information sessions or training for supply chain partners
- Confirmation or feedback from supply chain partners on receipt and understanding of information
- Documentation of inquiries from suppliers about legal requirements and provided responses

2.5.2 Monitoring system for compliance with customer requirements

What does it mean?

- The company shall take into consideration all partners within its supply chain that contribute to the development, manufacture or distribution of products or services, and which need to meet specific customer requirements or expectations. The term refers to any standards or conditions (such as the code of conduct) the company's customers have regarding the product, its ingredients or service. This may encompass product quality, delivery schedules, environmental sustainability, fair labour practices, etc.
- The company shall have a systematic approach to track and monitor its supply chain partners' compliance to the relevant customer requirements, which could include quality, sustainability, ethical standards, legal regulations, or other customer-specific demands.
- The company should not only track these requirements but should also communicate them to the supply chain partners and enforce corrective actions if non-compliance is detected.
- After revalidation or the receipt of new customer requirements, the monitoring plan shall be aligned accordingly.
- The company should set up a system that sends automatic alerts when key risk factors surpass predefined thresholds (e.g. weather alerts, extreme weather conditions, political developments or geopolitical risk dashboards, human rights watch, etc.) to identify potential risks in real-time.
- The company should establish open communication channels with suppliers and partners to share risk data, forecasts and contingency plans, and participate in industry-wide initiatives to share information on food supply chain risks, such as new regulatory requirements or emerging threats.

Evidence

- Documented procedures and policies, such as written supply chain management policies detailing how the company ensures partner compliance with customer requirements
- Monitoring plan pointing out suppliers in relation to their products
- Guidelines for conducting supplier questionnaires, audits and checks

- Supplier scorecards, monitoring schedules and performance logs
- Audits and reports, including e. g. audit schedules, reports and certificates showing that suppliers are regularly reviewed for compliance
- Third-party certifications (e. g. GlobalG.A.P. IFA or CoC, BRC Ethical Trade and responsible sourcing, ISO 14001, EMAS) or the IFS ESG Compliance Check
- Supply chain monitoring tools such as digital systems or software to track supply chain activities and compliance or automated alerts for non-compliance or deviations from standards
- Compliant supplier code of conduct, contracts and agreements
- Clauses within supplier agreements specifying the compliance requirements and penalties or measures for non-compliance
- Evidence of signed contracts by suppliers that include customer-specific requirements
- Records for corrective actions, showing that the company has taken steps to address non-compliance, such as defined and/or implemented corrective actions or imposing penalties on non-compliant partners
- Evidence of training provided to supply chain partners to ensure they understand and comply with customer requirements
- Communication logs showing that customer requirements are clearly communicated to all relevant supply chain partners

2.5.3 Risk-based monitoring

- Implementing a risk-based approach to the selection and monitoring of supply chain partners supports the company in an efficient usage of its resources, maximizing the return of time and money spent on the monitoring activities. The company can adapt to changes and maintain a secure, compliant supply chain by developing a structured risk assessment framework, establishing tailored monitoring frequencies, and continuously reassessing partner risks.
- By implementing a risk-based approach, the company shall first identify potential and actual risks (based on the former assessments) that could prevent the company from meeting customer requirements. This could involve breaches in compliance with fundamental human rights or environmental disruptions in production, quality control failures, supply shortages, delays in logistics or non-compliance with safety regulations.
- The company shall create a monitoring strategy that prioritises high-risk areas in the supply chain in relation to the relevant supplier and/or service provider. Allocation of more resources is required for monitoring risks with higher significance, ensuring critical customer requirements are met. The frequency of monitoring (audits, inspections, performance reviews, etc.) shall also be determined based on the risk level associated with each supply chain partner. High-risk partners should be monitored more frequently than low-risk partners.
- Suppliers of identified critical raw materials (including raw materials listed in Annex 5) shall always be monitored frequently, taking into consideration the risk score from the risk assessment and relevant customer requirements.

Evidence

- Procedure for setting up a risk-based monitoring including criteria considered
- Documented risk assessment, showing why and how suppliers have been selected
- Supplier list in relation to the products or raw materials sourced
- Customer requirements such as contracts or code of conducts
- Monitoring plan including risk prioritisation and the rational for it
- Monitoring plan pointing out the measures for each supplier and its frequency
- Adaptations of the monitoring plan due to performance logs of suppliers

2.5.4 Notification mechanism and complaints procedure

What does it mean?

- By implementing a clear, accessible notification mechanism and a well-structured complaint procedure, companies can comply with the CSDDD and demonstrate a commitment to sustainability, human rights and ethical business practices. Regular monitoring, transparency, and a culture of accountability are key to ensuring these systems are effective in mitigating risks and addressing concerns in a timely and fair manner.

- A notification mechanism allows stakeholders (such as employees, suppliers, or affected communities) to report potential or actual violations of environmental or human rights within the company or its supply chain. This system shall be accessible, transparent, and protect whistleblowers from retaliation.
- The complaint procedure is a formalized process that allows individuals or organisations (such as workers, communities, NGOs, etc.) to file complaints if they believe the company or its supply chain is causing or contributing to human rights abuses or adverse environmental impacts. This procedure should be fair, transparent, and efficient, ensuring that complaints are handled promptly, and resolutions are achieved.

Evidence

- A documented description of the notification mechanism and complaint procedure, including the available reporting channels
- Data on the number of reports submitted through different channels
- Documentation of training programs for employees on how to use the notification mechanism
- Detailed reports documenting the investigation process and findings for each complaint
- Written plans outlining the corrective actions taken in response to substantiated complaints
- Reports or documentation from independent third parties involved in the investigation or resolution
- Evidence on how results from notification mechanisms and complaint procedures have been taken into consideration for the risk-based monitoring activities

2.6 Claims management

6	Claims management
6.1	The company has carried out a risk assessment for the claims used.
6.2	Based on the risk assessment, the company has introduced a system that verifies the claims used.

What does it mean?

- The company shall identify and assess the potential risks associated with making claims (such as “eco-friendly”, “organic”, “fair trade”, or “100 % natural”). These risks could include regulatory non-compliance, reputational damage, consumer backlash, or legal disputes over misleading or unsubstantiated claims.
- The company should opt for clear and measurable claim-statements, to ensure clarity and improved verification.
- The risk assessment shall involve the implications of each claim in terms of market perception, legal obligations, and the possibility of those claims being challenged.
- After conducting a risk assessment, the company shall implement a structured system to verify the claims it makes. This verification system ensures that all claims are truthful, reliable, and substantiated

by credible evidence, which minimises the risks identified during the assessment. The system shall include processes for obtaining and maintaining the necessary documentation, such as audit reports or third-party certifications, and internal controls to verify the claims being made.

- The company shall continuously evaluate the effectiveness of its claims management system and adjust it as needed, especially in response to changes in regulations, supply chains or industry standards.

Guidance on practical implementation can be found in Annex 5

Evidence

- Documented risk assessment report detailing the risks associated with each claim
- Risk matrix prioritising risks (e. g. low, medium or high based on the likelihood and potential impact on the business; see Annex 4)
- Minutes from internal meetings where the risk assessment findings were discussed and approved
- Opinions from legal counsel or experts on the regulatory risks tied to specific claims
- Written policy outlining the process for verifying all claims made by the company
- Checklist used by compliance or quality assurance teams to confirm that claims are supported by appropriate documentation and certifications
- Copies of certifications from recognized third-party certifiers (e. g. Fairtrade, EU Organic or NOP (USDA) Organic)
- Internal and external audit reports demonstrating that claims were reviewed and verified
- Evidence of an internal approval process for new claims, including sign-off from relevant departments
- Documentation proving that suppliers comply with the standards required to make specific claims (e. g. wage records, ethical sourcing agreements, etc.)

2.7 Data management in the supply chain

7	Data management in the supply chain
7.1	An effective data management system shall be in place that ensures that the data for vertical systems, which is transmitted both electronically and manually, is reliable.

What does it mean?

- The company shall implement a robust system for managing data within the supply chain, focusing particularly on vertical systems (those that integrate processes across different levels, such as suppliers, manufacturers and distributors).
- Data may be transferred through automated (electronic) or manual processes, and both methods must ensure accuracy, security, and reliability.

- The system shall guarantee that data related to the supply chain (e. g. orders, inventory, product quality, compliance information of suppliers) is accurate, complete and accessible when needed, reducing errors and potential risks.

Evidence

- Visual representations of how data moves through the vertical systems
- Documented procedures for manual data handling
- Documentation of the system settings and features
- Descriptions of the tools used for data management and validation
- Records showing how data has been captured, validated, and stored
- Attendance logs and materials from data management training sessions
- Records showing identified errors in manual data handling and how they were resolved
- Documentation of data integrity checks and audits performed on both electronic and manual data
- Records of data backups for both electronic and manual systems
- Proof of data encryption measures to protect sensitive information
- Reports from employees and partners regarding data management system performance

3

ANNEXES

Annex 1 – Developing a supplier code of conduct (CoC)

1. Conduct a risk analysis (refer to Annex 3 and 4):

Based on the policy set up and the outcome of the conducted risk analysis as described in Annex 3 and 4, the company shall develop rules and principles covering expectations on ethical, environmental and business practices which the supplier needs to follow.

2. Seek out examples based on industry initiatives or standards

Many industries and socially responsible companies already have initiatives in place to create a common set of standards around supplier codes of conducts that can be used to model own practices. Examples include the Ethical Trading Initiative, Fair Labor Association and EU Code of Conduct on Responsible Food Business and Marketing Practices.

3. Discuss and consult with your business partners, suppliers and other companies operating in your industry

If your suppliers are working with customers that already have a code of conduct in place, it is helpful to use consistent terminology and processes. Moreover, many industry associations provide good examples on how to set up a code of conduct. It is important to consider – should a template be used – whether all the relevant points apply to the companies' own characteristics and to align where necessary.

4. Ensure consistency with the SCRM policies and other codes of practice

When writing or adapting the supplier code of conduct, it needs to be ensured that the rules and principles are not conflicting with own policies or other codes of conduct (e. g. from customers or other business partners). Potential conflicts need to be checked carefully to avoid any discrepancy or incongruity between the suppliers' own CoC and other codes that the company received from its customers.

Annex 2 – Mapping the supply chain

Mapping a supply chain means to systematically outline all suppliers, indirect suppliers and activities that are involved in a supply chain. It is a detailed representation of how products or services move from raw material suppliers to manufacturers, distributors, retailers and customers. The aim of supply chain mapping is to provide a clear and comprehensive overview of the entire supply chain network, which serves as a basis for a risk analysis and the ability to define optimised mitigation measures.

a) Identification and prioritisation of the scope of supply chain analysis

During the scoping process, it is important to map the structure of the supply chains in order to identify higher-risk activities, geographies, products or business relationships.

It is recommended to start with mapping those supply chains, which already comprise well known risks. For example, some raw materials such as palm oil or cocoa have supply chains vulnerable to adverse ESG impacts or there are products which are vulnerable for excessive price volatility such as wheat, and/or scarcity such as olive oil, or a combination thereof such as Madagascar vanilla. Further considerations should be given to prioritise supply chains which contain a high complexity or missing transparency.

It is very important to understand the complexity and length of the upstream supply chain, for example the source of the raw materials in the supply chain and the amount of (in)direct suppliers involved. Poor knowledge of the linkages and activities within complex supply chains exposes companies to increased risks.

b) Identify partners and key stages in the supply chain and collect information

Map the suppliers that are of priority to the company based on the criticality of the identified raw materials, sourcing countries (and/or regions) or services supplied. Include details such as the type of operation (i. e. manufacturer, farmer, broker, service provider, etc.) and the products or services they deliver.

c) Visualise the supply chain

List contact details of suppliers, including headquarters and manufacturing sites to identify risks associated with locations, i.e. countries (or regions within a country) with a high(er) corruption index, potential disasters or adverse environmental or social impacts. This process can be done using visual collaboration software or a flow chart tool, but it can also be done using sticky notes and a white board – it is not about the technology involved, it is about the quality of information.

d) Identify dependencies

Identify the dependencies and relationships between different partners/entities in the supply chain. Determine which partners/suppliers are providing well known critical raw materials, which distribution centers are located to serve specific regions and which customers are most important for the business.

Annex 3 – Risk identification

Risk identification is often referred to as the most important step, as only identified hazards and their related risks can be integrated into the risk management process and controlled with suitable measures.

There are four steps that should be conducted for the risk identification:

1. Data collection & integration

Hazards, which could cause any adverse effects within the supply chain, should be identified as a first step, based on the principle "no risk can exist without a certain hazard it relates to". Thereafter, they should be mapped in relation to the product and related supply chain partners and value chains which were mapped in the previous step (up- and downstream).

The system should collect data from various points in the supply chain, including:

- Farmers and suppliers: crop conditions, livestock health, pesticide use, and other raw material quality metrics
- Geographical locations: current status and forecasts on environmental, political or human rights conditions
- Production & Processing: working and/or equipment conditions and inventory management
- Logistics: shipping means (e. g. by road, air, sea freight, etc.), transit times, traffic data, and delivery schedules
- Customers: received notifications and/or complaints, code of conducts
- Historical performance data: historical data for identification of patterns and potential risks, such as recurring delays from specific suppliers or regions with frequent crop failures
- External data: external monitoring tools on environmental, social or geopolitical status trend analysis, weather forecasts, geopolitical developments, market trends, regulatory changes, and global trade conditions

2. Risk identification & classification

The identified hazards shall then be clustered into the following risk factors (multiple selection possible):

Risk factors	Description	Examples in the food supply chain (non-exhaustive)
Economic	Risks associated with economic conditions such as market fluctuations, currency exchange rates, and inflation, which can affect the cost and availability of food or trigger product fraud risks.	• Price volatility in raw materials affecting supplier contracts • Currency volatility impacting international trade and costs • Market structure change (product scarcity) • Inflation increasing costs
Environmental	Risks due to natural disasters, climate change and resource depletion affecting food production and transportation.	• Droughts or floods impacting crop yields • Extreme weather events • Soil erosion • Climate change reducing the predictability of growing seasons • Water scarcity
Political	Risks related to political instability, regulations, trade policies and embargoes impacting the supply chains.	• Trade restrictions on imports/exports due to international disputes • Tariff changes increasing costs • Political unrest in regions affecting key suppliers
Social	Risks related to human rights, human safety, welfare and community development.	• Unfair or forced labour conditions • Child labour • Gender equality issues • Living income, living wage issues
Others	For example, operational (internal & external) Risks related to inefficiencies, supply chain disruptions or operational failures within the production, processing or distribution of goods.	• Production bottlenecks • Insufficient inventory management (disposition) • Workforce disruptions • Transportation delays due to logistical challenges or loss (e. g. sea freight). • Upstream supplies (disruption or availability)
	For example, cybersecurity Risks stemming from data breaches, hacking, or IT system failures, which can disrupt supply chain management or expose sensitive data	• Ransomware attack on a logistics provider affecting deliveries • Data breaches compromising supplier or customer information • IT system failure leading to inventory mismanagement

3. Conducting risk analysis

Please refer to Annex 4 for a detailed explanation.

4. Risk-based monitoring

Please refer to chapter 2.5.3 for a detailed explanation.

Annex 4 – Conducting the hazard analysis and risk assessment

After hazards and their related risks have been identified and classified into risk factors, a hazard analysis and risk assessment has to be conducted for each risk factor identified for a certain product and their ingredients.

Step 1: Assess likelihood and severity

- For each identified risk for the assessed ingredients, the likelihood of occurrence and the severity of this event have to be determined:
  - The probability of occurrence (likelihood) and the level of potential damage (severity) are often determined using a five-point scale (see figure 1); the assessment is made by the responsible employees with the help of historical values and data or scientific literature. Moreover, supplier specific risks need to be gathered by receiving the data from the direct supplier. Here it is necessary to identify what kind of information is needed from your partners and suppliers and the best approach to gather the data.
  - Severity of impact will be judged by scale, scope and irremediable character.
    - Scale refers to the gravity of the adverse impact.
    - Scope concerns the reach of the impact, for example the number of individuals that are or will be affected or the extent of the e. g. environmental damage.
    - Irremediable character means any limits on the ability to restore the individuals or environment affected by a situation equivalent to their situation before the adverse impact happened.

For political, environmental or social issues, the company should use scientific data, in order to analyse the risk. There are a number of tools already on the market and this area is continuously evolving.

Remark: Some helpful tools are available online, to assess the severity on an informed basis. Examples are the WWF Risk Filter (including WWF Water Risk Filter – Country Profiles & WWF Biodiversity Risk Filter – Country Profiles), the human rights toolkit from UNEP, the multi-stakeholder forum INFORM (providing quantitative analysis relevant to humanitarian crises and disasters), the amfori country risk classification or the WRI water risk atlas:

https://riskfilter.org/

https://www.unepfi.org/humanrightstoolkit/index.php

https://drmkc.jrc.ec.europa.eu/inform-index/INFORM-Severity/Results-and-data

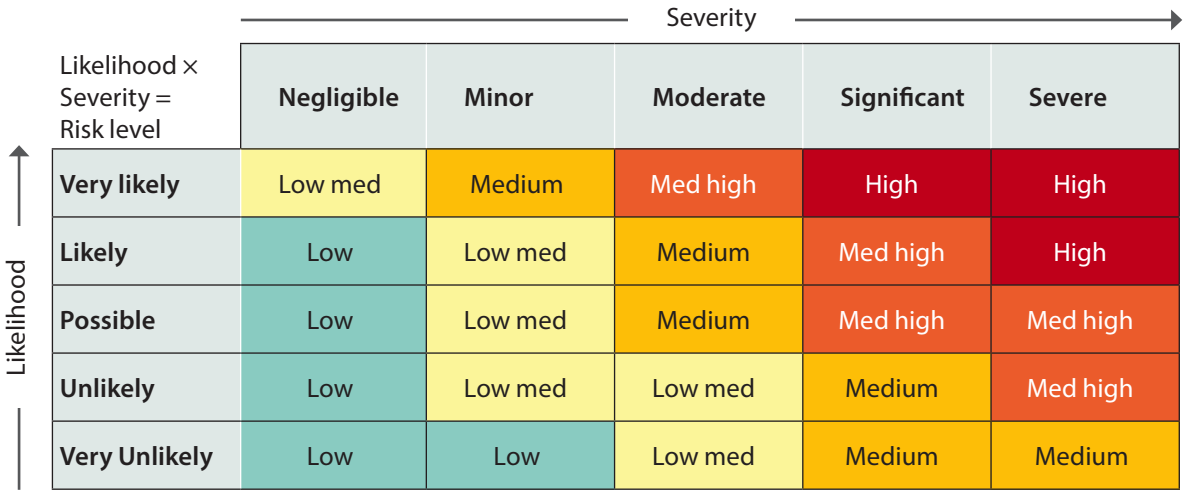
https://www.ottogroup.com/medien/dynamic/docs/de/businesspartnerdeclaration/amfori-countries-risk-classification.pdf

https://www.wri.org/applications/aqueduct/water-risk-atlas

Step 2: Assign risk scores and determine significance

- Assign risk scores based on a combination of likelihood and severity according to the risk matrix.
- The result gives an indication about the overall significance of an adverse impact (which is necessary for the next step).
  - The significance of an adverse impact is understood as a function of its likelihood and severity.

Figure 1: Example of a risk matrix



The following table provides an example on how the assessment is conducted using the risk matrix above:

Figure 2: Example of a risk assessment of a certain ingredient

Risk factor (+ category)	Likelihood	Severity	Risk score (L × S)
Environmental (drought)	Very likely	Severe	High
Social (fair wages)	Unlikely	Significant	Medium
Cyberattack	Very unlikely	Significant	Medium
Commodity price volatility	Unlikely	moderate	Low medium

Step 3: Identify critical raw materials

- Determining whether a raw material is considered "critical" depends on the following:
  - If the raw material has a level at or higher than the overall significance that is defined by the company to result in a critical raw material. IFS cannot prescribe the risk priority; this is an individual decision made by the company. However, the reasoning behind this decision should be made on sound judgement and be documented. As a guidance, many companies consider raw materials with an overall significance from medium to severe to be of a critical nature.

Annex 5 – Claims management

Step 1: Conduct a claims risk assessment

1. List all the claims made in your marketing materials, on packaging, and product descriptions (e. g. "organic," "sustainably sourced", "Fairtrade").
2. Analyse the regulatory landscape around the claims. Different jurisdictions (e. g. the EU, U.S. or Canada) have different legal requirements for specific claims or are just about to set rules (e. g. the EU Green Claim Directive). Understand what legal obligations apply. Moreover, for environmental claims, review the ISO 14021 (Environmental Labels and Declarations) and the European Union Ecolabel guidelines. For social/ethical claims review ISO/TS 17033.
3. Ambiguous or broad claims such as "eco-friendly" can be perceived as misleading or greenwashing. Ensure that the claims you make are specific and clearly explain the product's benefits.
   a. Avoid vague terminology: replace terms like "eco-friendly" or "ethically sourced" with more precise terms that specify the relevant benefit (e. g. "made from 100 % recycled materials" or "biodegradable packaging").
   b. Use quantifiable metrics: wherever possible, use data to substantiate claims. For example, instead of "reduces energy use," specify, "uses 30 % less energy compared to previous models."
4. Assess the risks of consumer perception and backlash for reputational reasons. Claims that are vague, overstated or poorly substantiated could lead to accusations of greenwashing or misleading advertising.
5. Review your supply chain and operations to determine whether the claims align with actual practices.
6. Use a risk matrix to categorise risks based on their likelihood and impact. Focus on high-impact and high-likelihood risks first.

Step 2: Design and implement a verification system

1. Develop verification criteria: create a set of criteria for verifying each type of claim. For example:
   - Environmental claims: are they supported by measurable data, like carbon footprint assessments or Life Cycle Assessments (LCA)?
   - Social claims: are suppliers certified by recognized organizations such as Fairtrade or B Corp?
   - Health or quality claims: can you provide test results or certifications from accredited third-party laboratories?
2. Set up documentation and record-keeping: ensure that for every claim made, there is documented evidence available that verifies the claim. This may include:
   - Supplier certifications
   - Audit reports
   - Lab test results
   - Consumer feedback and complaint records
3. Where applicable, use third-party certifications (e. g. Fairtrade, organic, non-GMO, Energy Star) to independently verify claims.
4. Set up a regular internal audit system to periodically check that the claims being made are still valid and that there is current evidence to support them.
5. Establish a formal review and approval process for any new claims. This process should involve legal, compliance and marketing teams, ensuring the claim is verifiable before going public.
6. Continuously monitor claims to ensure that changes in regulations, supply chains or products do not invalidate any existing claims.

Step 3: Review and update the system regularly

1. Schedule periodic reviews (e. g. annually or biannually) to reassess the risks associated with your claims and to ensure that the verification system is functioning as intended.
    - Monitor changes in regulations and industry standards that could impact the validity of claims used.
    - If a claim is no longer supported (e. g. due to supply chain changes or shifts in certification status), update or remove it from marketing materials and product packaging.
    - Gather feedback from consumers, suppliers and industry experts on the accuracy and effectiveness of your claims and verification processes.

Step 4: Conduct training and raise awareness

1. Create training sessions for employees on the risk assessment process and how to properly verify claims.
2. Involve legal, compliance, marketing, and product development teams to ensure alignment on claims verification.
3. Provide regular refresher courses to keep employees updated on any changes in the claims management system or regulatory requirements.

Annex 6 – Terms and definitions

Claim	Any message or representation, including pictorial, graphic or symbolic representation, in any form (product label, packaging, advertisement, specifications, product inserts, etc.), which states, suggests or implies that the product has particular characteristic(s) or effect(s) that is/are not inherent to the product and/or is not generally present in similar products. List of examples of particular characteristic(s) and/or effects (non-exhaustive): • Nature or composition (e. g. "natural", "free from", "source of", "reduced", etc.) • Standards of identity for products (e. g. meat products, specific labels, etc.) • Origin or provenance (e. g. "made in …", "product of …", PDO/PGI, etc.) • Methods of production/processing (e. g. Fairtrade, religious claims, etc.) • Specific properties, structure and/or function related to a risk reduction for customers and/or consumers (e. g. related to prevent or minimise the risk of health diseases, prevent the contamination by spoilage or pathogen microorganisms, etc.) • Specific properties, benefits and/or effects for customers and/or consumers due to the usage of the product (e. g. anti-aging effect in cosmetics, extended shelf life of food in packaging, improving or modifying a physiological function or biological activity associated with health in food, etc.) In the scope of the Supply Chain Processes Check, the following claims should also be considered: **Social claims** Claims can be also made in regard to any message or representation made on social impacts, which states or indicates that a product, company or trader has a positive or non-negative social impact or is less damaging to indigenous or vulnerable sectors of a population. **Environmental claims** Environmental claims may be made about a product or service, but they can also cover processes that relate to the product or service, a brand or the business as a whole. They may relate to specific environmental impacts such as 'carbon-neutral' or be more general such as 'eco-friendly' or 'sustainable'. They may be explicit or implied, appear on advertising, other marketing material, or on the packaging or other information supplied to consumers.
Commodity list	A digital list provided by IFS, where identified critical raw materials, selected from a pre-defined list, are to be documented and shared with customers in order to improve transparency within the supply chain.
Supply chain risk management (SCRM)	SCRM is the process of identifying, assessing, and monitoring risks within the supply chain (up- and downstream), including risks presented by the supplier, the supplied products or raw materials and services, or the production, logistics distribution of those products and raw materials. It supports companies to ensure business continuity, due diligence and resilience in the face of possible disruptions.

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