



Turning point in the food industry

**How sustainability contributes
to building business resilience
in unstable times**

November 2022



Table of contents

Situation	3
Effect	5
Opportunity	9
What is it that national leaders do differently?	14
Recommendations	44
About the authors	45

Legal changes are on the horizon. What is going to happen?	7
How others do it, or what lessons can be learned from ESG reports	24



Situation

The broadly construed agri-food industry, hereinafter referred to as companies/businesses/organizations/ market players, is and will continue to be preoccupied with ongoing problems related to increases in costs and prices and their consequences.

Revenues and profits generated by companies operating in the agri-food sector have been under pressure for years. On top of these strains, the COVID-19 pandemic and the related lockdowns followed by the outbreak of war in Ukraine resulted in a plethora of new challenges destabilizing the financial standing of these market players. Today, food producers and processors are forced to cope with broken supply chains, consumer panic, double-digit inflation showing no signs of abating, uncertainty surrounding the prices or availability of agricultural commodities and other means of production.

As a result, information keeps popping up about production stoppages (actual or threatened), which only increases consumers' concerns and prompts them to engage in behaviors that are difficult for producers to predict (such as stockpiling or panic buying). Companies are not prepared for such situations, meaning that they cause an increasing destabilization of their operations.

It follows from our discussions with market players, regardless of the industry, that managers have already begun to analyze the level of energy consumption and the structure of costs in their enterprises. A completely new approach to the "energy" strategy pursued by businesses may be expected in the near term coupled with a different style management than before, focused on attempts to reduce energy consumption, which will translate into additional carbon emission cut-downs.

According to our research on challenges facing the agri-food industry (phone survey conducted in March 2022, commissioned by Accenture), 55% of managers are of the opinion that inflation will exert the strongest impact on the operations of the companies they work for.

At the same time, 48% pointed to the destabilizing impact of increasing energy prices, and 28% and 27% to the increase in the prices of commodities and agricultural means of production, respectively.

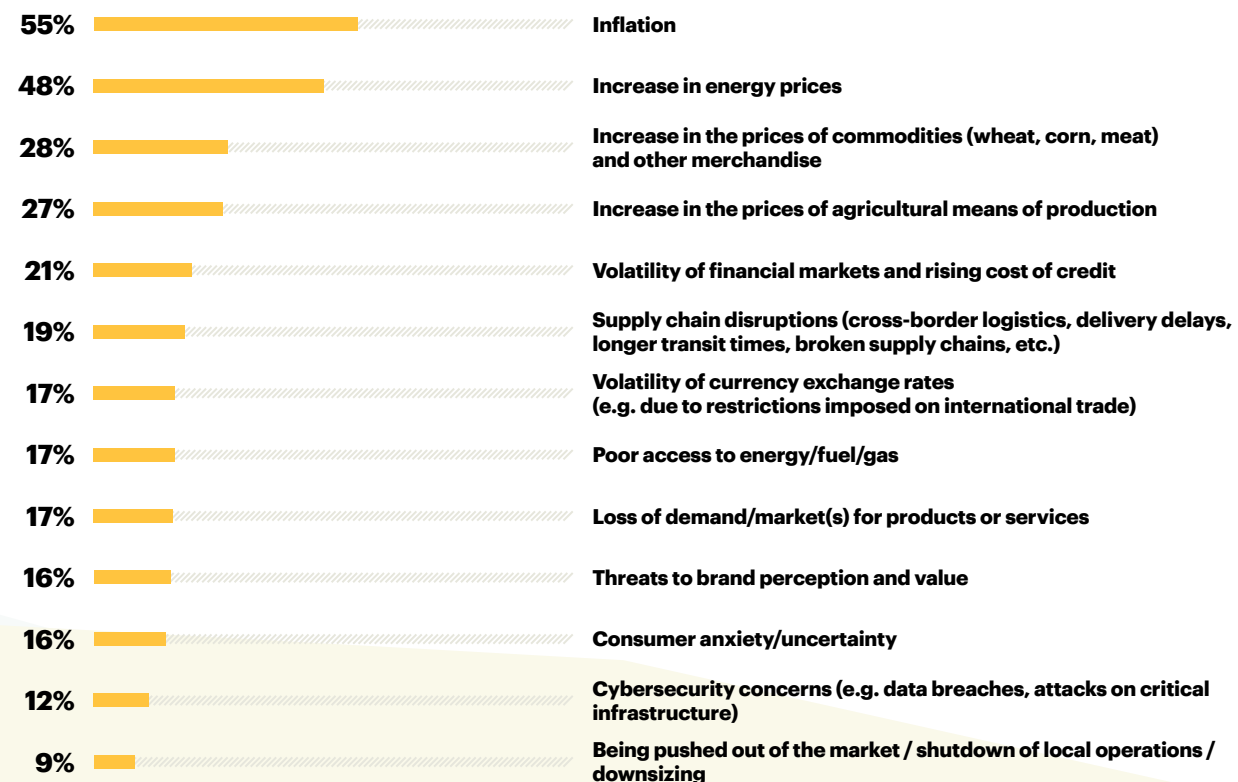
In this context, quite interesting are also the possible outcomes that cause companies the least headache (compared to inflation and cost-related challenges) – these are: being pushed out of the market, shutdown of business operations and downsizing. This means that most managers are convinced that their companies will survive the current crisis.

The general economic climate indicator, published monthly by Statistics Poland (GUS), has been negative for over two years. The most recent value published for this indicator, for August 2022, was -15.2 for the manufacturing industry. According to data presented by Statistics Poland, 8% of businesses report an improvement in their economic standing, 23.2% indicate its deterioration, and the remaining market players consider their situation unchanged. The outlook for the portfolio of orders, production level and financial standing are more negative than one month earlier, according to Statistics Poland. The situation is no better in the retail sector, where the indicator is also negative: in August 2022 it stood at -8.1. 10.2% of the surveyed businesses indicate an improvement in their economic standing, while 18.2% report a deterioration. The assessment of sales and financial standing remains unfavorable, as before¹.

¹ https://stat.gov.pl/obszary-tematyczne/koniunktura/koniunktura/koniunktura-w-przetworstwie-przemyslowym-budownictwie-handlu-i-uslugach-2000-2022-sierpień-2022_4_64.html

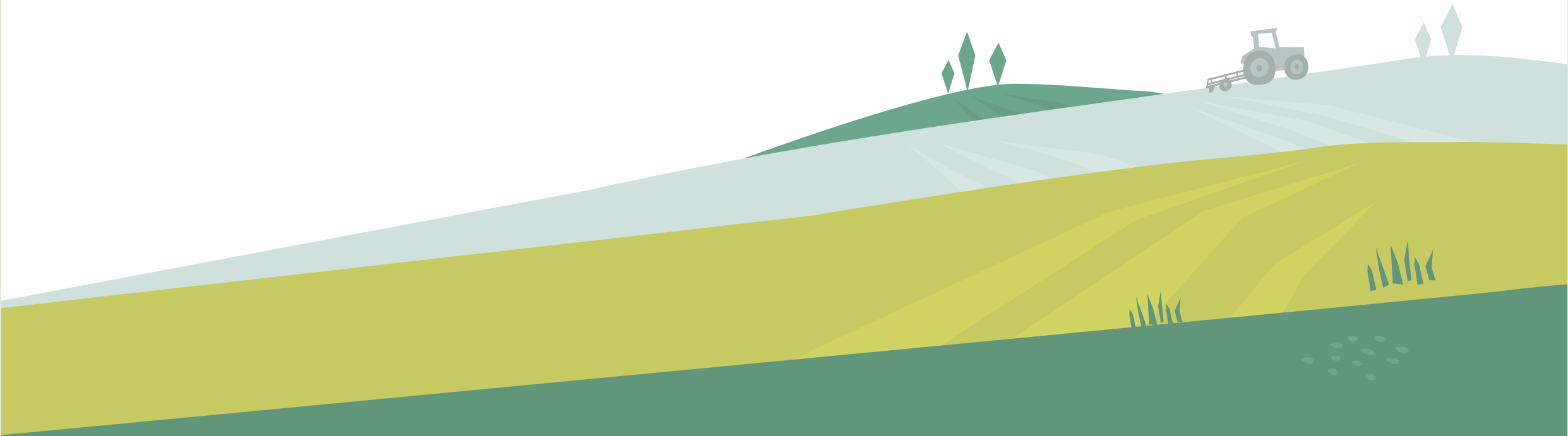
Chart 1.

In connection with Russia's invasion of Ukraine, in which of these areas do you anticipate to see the greatest impact on your organization over the next 12 months?



Effect

The COVID-19 pandemic, followed by Russia's invasion of Ukraine, caused companies operating in the broadly construed agri-food industry to have even less room than before for investment in sustainable development. They operate based on a short-term strategy or make ad-hoc decisions. It follows from our observations and discussions with various companies that this was the case before, but the current conditions in the business environment have reinforced this attitude. For the most part, managers have ceased to think about long-term investments. Rather, they are now focused on day-to-day survival until better times arrive. They also postpone for later the pursuit of objectives following from the legislative changes adopted by the European Union.



As many as 66% of organizations intend to maintain a similar investment budget for sustainable development in the coming years.

In view of another upcoming crisis, this information does not look so bad, especially given that many respondents are beginning to understand that a successful pursuit of sustainable development objectives may generate savings or even profits for them. Accordingly, they no longer have to perceive this area as an expense, but rather as an investment.

At the same time, 29% of businesses intend to increase their budget for investments in sustainable development. At the opposite end of the spectrum, there are 3.5% of companies whose budget will decrease.

Chart 2.

To what extent does your organization intend to increase investment in sustainable development in the next three years?

Please consider all forms of investment – expenditures on machinery, R&D projects, training, etc.



Legal changes are on the horizon. What is going to happen?

(selected legislative changes)

- » The “Fit for 55” package, or the European Union’s new commitment to the climate. A plan for a 55% reduction in carbon dioxide emissions by 2030 compared to 1990 levels has been adopted. The primary objective is to make the EU a carbon neutral territory by 2050 as part of the European Green Deal².
- » ESG reporting, or the requirement for companies to disclose certain non-financial information in accordance with the new Corporate Sustainability Reporting Directive (CSRD), will come into force on 1 January 2024 (for the financial year starting on that date) in respect of all large listed companies, banks and insurers employing more than 500 staff. The same requirement will apply to all other large companies and to all medium-sized and small listed companies from 1 January 2025 and 1 January 2026, respectively³.
- » The Initiative for a Sustainable Food System (SFS), pursued under the EU Farm to Fork Strategy, which calls for developing horizontal legislative changes for sustainable development and defining, among other aspects, general principles, objectives and obligations for entities operating in the EU food system. A proposal for the SFS legal framework will be adopted by the European Commission by the end of 2023. Pertinent legislative work is expected to last for up to two years⁴.
- » The EU Biodiversity Strategy calls for the implementation of over 100 actions by 2030 as part of a coherent network of protected areas, an EU nature restoration plan, enabling transformative change, and EU external actions coupled with the global biodiversity agenda. According to the EU Biodiversity Strategy Actions Tracker, which is a tool for tracking progress in implementing the actions listed in the strategy, 26 actions have already been completed, 72 are in progress, and six have been abandoned. Examples of actions already completed include the EU soil protection strategy for 2030, the EU organic farming action plan and the EU forestry strategy for 2030⁵.

² More information at: <https://www.consilium.europa.eu/pl/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/>

³ More information at: <https://www.gov.pl/web/finanse/raportowanie-niefinansowe-1>

⁴ More information at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13174-Zrownowazony-unijny-system-zywnosciowy-nowa-inicjatywa_pl

⁵ More information at: <https://dopa.jrc.ec.europa.eu/kcbd/actions-tracker/#summary>

The catalyst for changes in this area, that is for the transformation of organizations towards sustainable development, is the EU legislation and the related elevated degree of control (51% of responses). Assessments by external institutions, such as ESG rankings or media pressure around climate change, also play a significant role (39.5% of responses each).

Chart 3.

What factors motivate your organization to change towards sustainable development?



In their conversations with us, managers also pointed out the problem of legislative actions that discourage or delay changes instead of providing incentives for their acceleration.

“Legislation related to sustainable development, which keeps appearing and changing, also presents a challenge. We need to constantly adapt to new regulations. However, many guidelines take a long time to come into effect, meaning that we also have to wait with our actions until the regulations enter into force”

– emphasize managers of another company operating in the food industry.

“In general, contrary to appearances, regulations play a good role, because they force or motivate businesses to act faster. At the same time, they should be implemented wisely – it would be reasonable to develop and support initiatives that work well even without legal compulsion. We need a dialogue and cooperation between the government and business”

– we have been told by representatives of a food processing company.

Opportunity

Companies may take advantage of the current crisis to change the way they operate. They may protect themselves, at least to a certain degree, against broken supply chains, and may endeavor to build financial resilience and stable and long-term growth.

Sustainable development is precisely what may provide this opportunity. This is because sustainable production translates into closer cooperation with suppliers, a better understanding of their situation, the use of local commodities, shortening the supply chains and gaining a greater degree of control over them.

An additional incentive for the pursuit of sustainable development is the current rapid increase in costs.

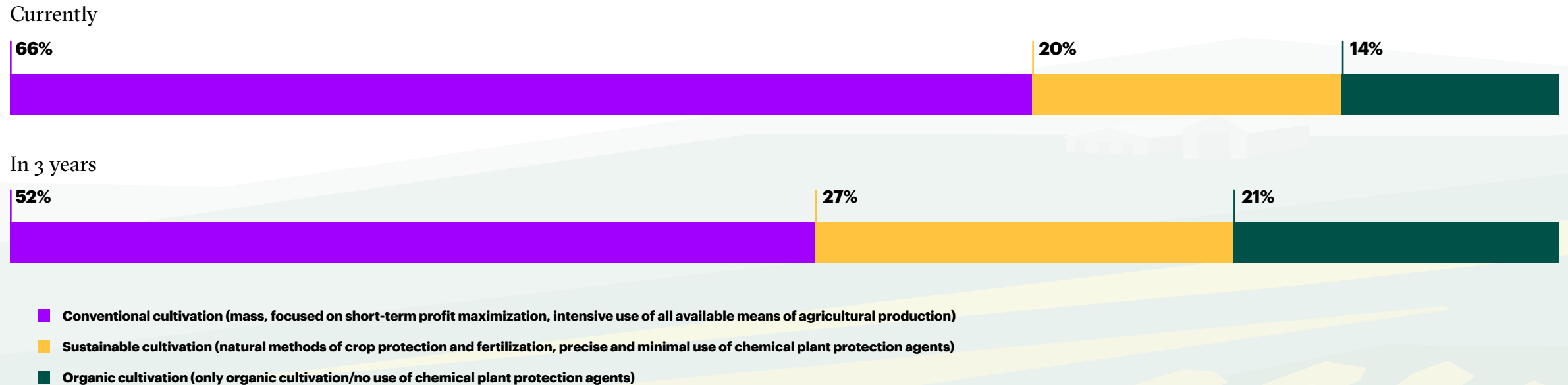
A photograph of a grocery store vegetable section. The image shows several green plastic crates filled with various fresh produce. In the foreground, there are crates of white onions, purple eggplants, and yellow squash. Behind them, there are crates of red and white cabbages, and more white onions. The background is slightly blurred, showing more produce and the store's shelving. The overall lighting is bright, typical of a grocery store.

We are only at the beginning of the road to sustainable production, but the pace of change keeps accelerating.

In three years, nearly half of the commodities used for food production in Poland will come from sustainable or organic farming. But even today some companies use only commodities produced in this manner.

Chart 4.

To what extent do the commodities used for production in your organization come from conventional, sustainable or organic farming? What do you expect this extent to be in three years?



”

Owing to our day-to-day cooperation with farmers who provide us with the commodities for our production, we see how the use of certain technological solutions, for instance those enabling the recovery of water or heat on the farm, becomes economically justified only at a certain level of cost of the fertilizer, energy or water. In other words, the more expensive they become, the more incentives farmers will have to save these inputs. The same applies to the recovery water or heat in our company”

– admits a representative of a food processing company.



”

We started implementing a sustainable agriculture program in 2015. We were among the pioneers in this field on the Polish market. Our initial work was based on a dialogue with suppliers aimed at adapting the program to Polish realities. Ten years ago, these changes seemed impossible, now they are considered something ‘quite natural,’ which translates into an increased profitability of crop production rather than onerous additional work. The program is an extension of the GlobalG.A.P system with areas not covered by GlobalG.A.P. One of the building blocks of the program is its economic pillar whose primary objective is to ensure sustainable development and profitability of crop production in the short and long term. The other two pillars that support the whole structure of the program are the environmental and social pillars”

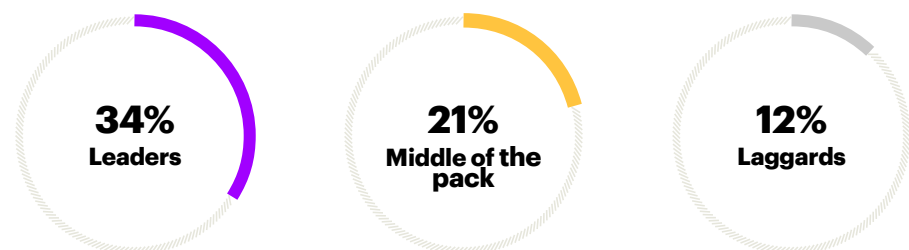
– emphasizes another producer.

In the period under analysis, the number of companies that reported an increase in operating profit was three times greater for businesses which implemented a sustainable development strategy than those which did not.

Chart 5.

What was the approximate average annual rate of growth in your organization's operating profit over the last 3 years?

% of respondents who declared an increase in operating profit over the last 3 years.



In the course of in-depth interviews, we identified that 25% of companies stand out in terms of their sustainable development practices. We refer to them as national/Polish leaders. Who are the other 75% of the respondents? One-third of that 75% are what we call “laggards” – they have not yet started implementing any sustainable development initiatives. The remaining entities, accounting for half of the respondents, are already in the process of implementing some sustainable development initiatives, but they are still pretty much at the beginning of their journey. In this report, we are focused predominantly on the former two groups – local leaders and local laggards (at least for now).

In most cases, national leaders are larger companies. This group includes enterprises with revenues above PLN 11 million. In turn, as many as 80% of laggards are companies with revenues below PLN 10 million.

Large companies have more opportunities to define and implement a sustainable development strategy. For this reason, they play a key role in taking responsibility for the whole supply chain.

What specific features do Polish leaders in sustainable development have that make them stand out from other companies?

1. Sustainable development is an integral part of their organization.
2. They consider sustainable development an investment priority.
3. Companies change their supply chains by taking into account the impact of their activities on the climate, environment, society and economy. Also, they value local activities, comply with applicable standards and seek certification of their operations.



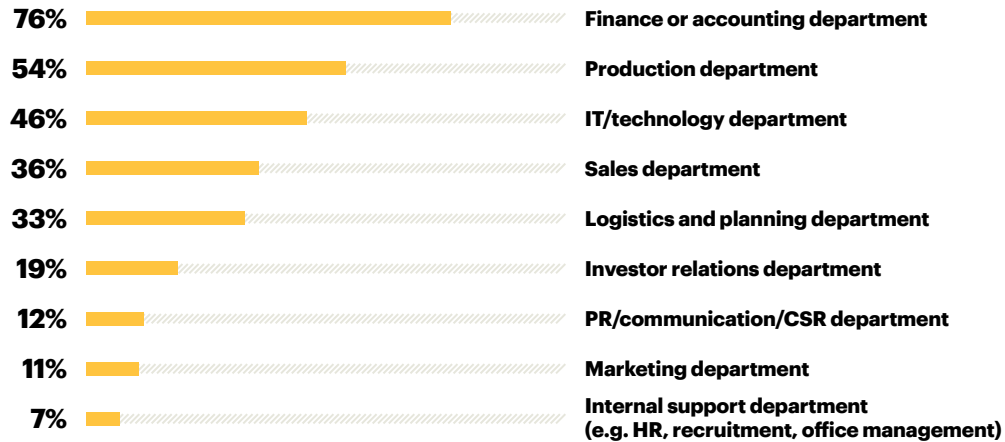
What is it that national leaders do differently?

1.

They have developed a strategy that enables them to fully optimize and use all of their company's resources. This applies to each and every division and area of their organization, not only production as such.

Chart 6.

The transformation of which parts of your organization has exerted a key impact on the sustainable development of your company?

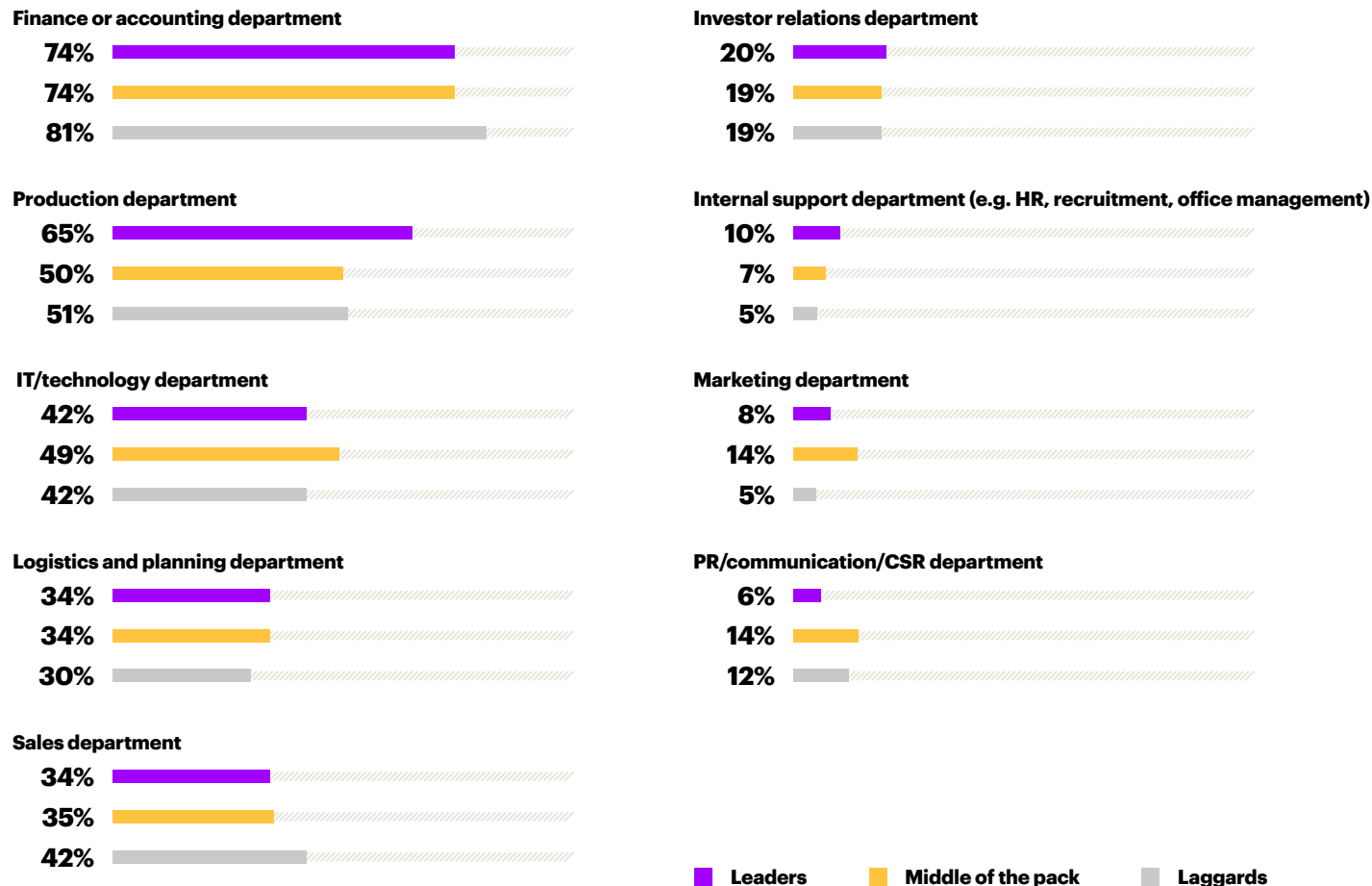


It follows from our discussions with managers that finance and accounting departments exert the strongest impact on the sustainability of the company's development. These departments (rather than production or CSR) were indicated by as many as 75.5% of the respondents. Apparently, the individuals responsible for the company's finances are those who ultimately support or prevent the allocation of funds to specific projects.



Chart 7.

The transformation of which parts of your organization has exerted a key impact on the sustainable development of your company?



Noteworthy in this context is the difference of several percentage points between Polish leaders in sustainable production and 'laggards,' meaning that the said finance and accounting departments have an even more important role to play in the transformation towards sustainability in those companies that have not yet started to follow this path (81.4% of responses). Managers also attach less significance to the production department as playing a key role in this area (51.2% of responses). It is "more important" for those who are local leaders in sustainability.

Chart 8.

Which of the following opportunities does your organization intend to invest in over the next three years to fulfill its sustainability objectives?



The investment strategies of the surveyed companies reveal a pattern whereby people are considered the priority “area” of investment. Every third organization will invest in staff and employee training (to enable the fulfillment of sustainable development objectives). Almost one in three will also focus on performance management and supply chain transformation. The least frequently selected option (slightly more often than every fifth indication) is investment in supplier development.

”

In the early 1990s, when we started rolling out the sustainability agenda in our company, it was all very new. Our colleagues in the industry thought we had lost our mind when we started the construction of a biogas plant in our company. Only from today’s perspective it is evident how crucial that investment was. In the current natural gas crisis situation, we operate largely independently, using circular economy resources. We knew it from the very beginning that we should make the best use of all the resources of our company”

– says a representative of a food processing company.

”

Our ambition is to achieve zero net emissions in production. The thermal energy area is a big challenge for us, because we mostly purchase it from an external supplier. We also use biogas to generate some of the heat we consume. We need to think about investing in our own renewable energy sources and speed up our efforts in this area”

– says a Polish leader in sustainable production.

”

Cutting down on water consumption in cultivation and breeding and assessing the possibilities for reduction constitute major components of the future investment strategy that need to be defined, estimated and implemented in cultivation and breeding processes Proper technology and good field regenerative practices are essential”

– explains another respondent.





Sustainable development strategy – where to begin?

The creation of the first strategy may present quite a challenge for companies. It should be based on the materiality matrix, contain measurable objectives that are set within a certain timeframe and established on the basis of the organization's road map, and be tied to and support the organization's business goals. We have found that even companies with a strategy and key performance indicators (KPIs) in place have no clue how to prepare it. What they lack is a roadmap – a plan for the achievement of goals, including the monitoring of progress and results. Change management and thought leadership methodologies are often overlooked. Both these approaches are necessary for the holistic execution of the transformation process by way

of a like-minded cooperation of all functions within the organization.

Sustainability may and must part of the business.

Only by making progress and benefits perceptible will it be possible to continue the pursuit of the sustainable development agenda in the company on a significant scale.

It all sounds complicated and is not easy for companies that are only beginning to implement their ESG objectives, which is why many of them seek the assistance of external experts and make use of the experience of consulting firms to avoid mistakes, especially during the early stages of the process.

What is it that national leaders do differently?

2.

They have created tools and solutions to effectively monitor their progress towards zero emissions.



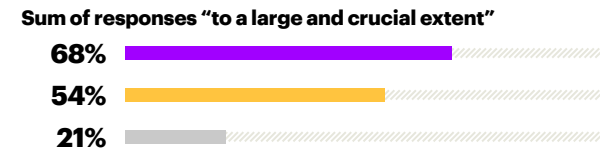


68% of Polish leaders in sustainable production have the capacity to effectively monitor changes in their greenhouse gas emissions in correlation with the purchase of energy for their own needs (scope 1 and 2). Only 21% of laggards have the same capacity. Similar proportions transpire in respect of the reduction of greenhouse gas emissions in the supply chain (related to purchases and sales). It is effectively – to a large or crucial extent – monitored by 70% of leaders and 14% of laggards.

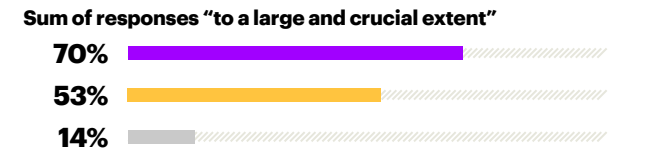
Chart 9.

How confident are you that your organization is capable of effectively monitoring its progress towards the achievement of the following objectives?

Reduction of greenhouse gas emissions related to the purchase of energy for own needs



Reduction of greenhouse gas emissions in the supply chain related to purchases and sales



■ Leaders
 ■ Middle of the pack
 ■ Laggards

Significant differences are also apparent when it comes to measuring the performance in the pursuit of sustainable development.

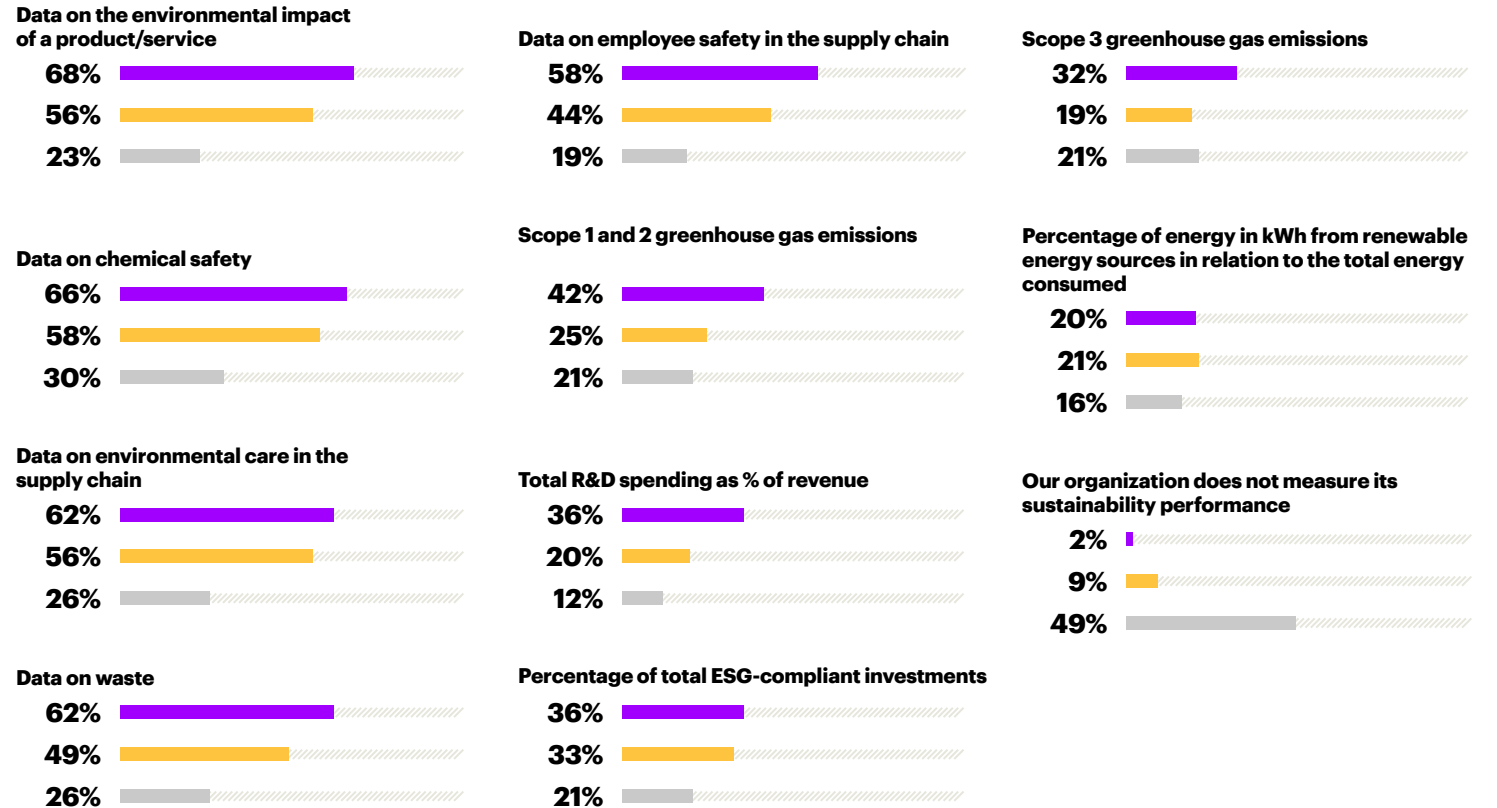
Data on scope 1 and 2 greenhouse gas emissions (i.e. direct emissions from own facilities and indirect emissions from purchased energy)⁶ are used by twice as many leaders as laggards.

Data on environmental care in the supply chain are taken into consideration by 62% of those who are leaders in sustainable development in Poland and 25.6% of those who have remained at the other end of the spectrum in this respect. A similar situation applies in respect of data on the impact of a product or service on the environment – 68% and 23.3% of respondents take such data into consideration, respectively.

⁶ Scopes 1, 2, 3 – these are emission scopes in the value chain according to the GHG Protocol standard. According to the standard, scope 1 covers direct emissions in the organization’s own facilities resulting from the combustion of fuels and gas. Scope 2 covers indirect emissions from purchased electricity and heat for the organization’s own needs. Scope 3 – upstream and downstream the value chain – covers, as the case may be, indirect emissions related to the organization’s purchases, such as, for instance, purchased goods and services, waste generated as a result of operating activity, employees’ commuting to work and business trips, transport and distribution of purchased products, production of capital assets; and indirect emissions related to sales and financing, such as transport and distribution of sold products, their use, long-term capital investments, project finance, disposal of sold products, franchise issuance.

Chart 10.

What data does your company use to measure its sustainability performance?



■ Leaders ■ Middle of the pack ■ Laggards

Data-driven actions

In many cases, CSR/sustainability departments have been established to report on the company's environmental impact. However, this trend keeps evolving, and sustainability experts are beginning not only to report data, but also to manage change. For this, they need data and the possibility of their in-depth analysis, forecasting the effects of their own activities and devoting time to this process. The preparation of an annual report may take up to 6 months – the process involves manual collection of data scattered across the organization. Certain tools are already available on the market enabling the automation of this process. The preparation of forecasts/insights also poses a challenge as it involves an attempt at predicting what will happen in one, two or five years, or to what extent the company's current business decisions will favorably or unfavorably affect the environment and local communities.

”

We are aware that calculating the carbon footprint will become an element of our non-financial reporting. We intend to discuss this matter with our suppliers. Our customers request such data from us, which means that we must move upstream the value chain to obtain full information. After all, some suppliers already measure their carbon footprint on their own initiative”

– we have been told by a representative of a large food processing company.

How others do it, or what lessons can be learned from ESG reports.

We have analyzed the reports published by the largest companies that participated in our study. What clearly stands out is the sustainable development priorities adopted by companies: carbon and water footprints, waste, packaging, healthy food, animal welfare.

Carbon footprint

The vast majority of companies in the industry already measure their **carbon footprint** and have adopted their emission reduction targets. In this respect, activities may be broadly broken down into those involving changes in energy usage methods (aimed at increasing energy efficiency), the shift towards renewable sources and changes at the supplier level. So far, relatively few companies are willing to share detailed information regarding the scope 3, that is how they intend to motivate their suppliers to change and how this change will be enforced. A trend towards shortening supply chains and establishing direct cooperation is also noticeable.

Deforestation

To date, few companies have adopted specific indicators aimed at **preventing deforestation**, although this constitutes one of the industry's biggest challenges. Indeed, tapping into the climate change mitigation potential in this sector is of crucial significance for attaining the emission reduction targets. Key examples of attempts made by companies in this area are the purchase of certified soybeans and palm oil. Meanwhile, the European Parliament is discussing a new law on deforestation: "To fight global climate change and biodiversity loss, Parliament demands companies ensure that products sold in the EU do not come from deforested or degraded land."

Waste and water

All the companies we have analyzed have adopted their own **waste and water reduction** targets. Such projects, although not easy to execute, often receive a higher priority due to their broad and





favorable impact on reducing emissions. This translates into savings. In this context, organizations also refer to the objectives of the Circular Economy, above all to the full market disposal of products, the use of all production waste, packaging and the redistribution of unsold products. However, few innovative projects or new business models have been put in place, or companies have not yet announced them.

Packaging

A strong focus on **replacing packaging** with partially recycled, lighter, recyclable materials and changing the **recovery system** is clearly noticeable. However, again, there is little information about solutions that will fully or mostly eliminate plastic, such as refilling stations.

Social

The social goals, which the letter S stands for in ESG, are focused predominantly on the issues of managing diversity, occupational safety in plants and charitable activities. However, **security and human rights** in the supply chain do not resonate

strongly in this context. Few companies have tools in place that support care for human rights in the supply chain; these may include, for instance, risk monitoring systems or complaint reporting mechanisms. Meanwhile, on 23 February 2022, the European Commission published a draft directive on corporate due diligence in the area of sustainable development, which makes business liable for the absence of proper mechanisms to prevent human rights breaches that occur in their supply chains.

Animals

Animal welfare already seems to be a compulsory item. Taking care of animals, although not the main topic of communication, is an important activity for companies, associated with the growing empathy of consumers in this area. For instance, each company we have analyzed that utilizes eggs either has plans in place to eliminate or has already eliminated caged eggs from its product range.

What is it that national leaders do differently?

3.

They look for synergies between various technological solutions. They are more likely to actively store their organization's data in one place and use the potential of analytics when building solutions.

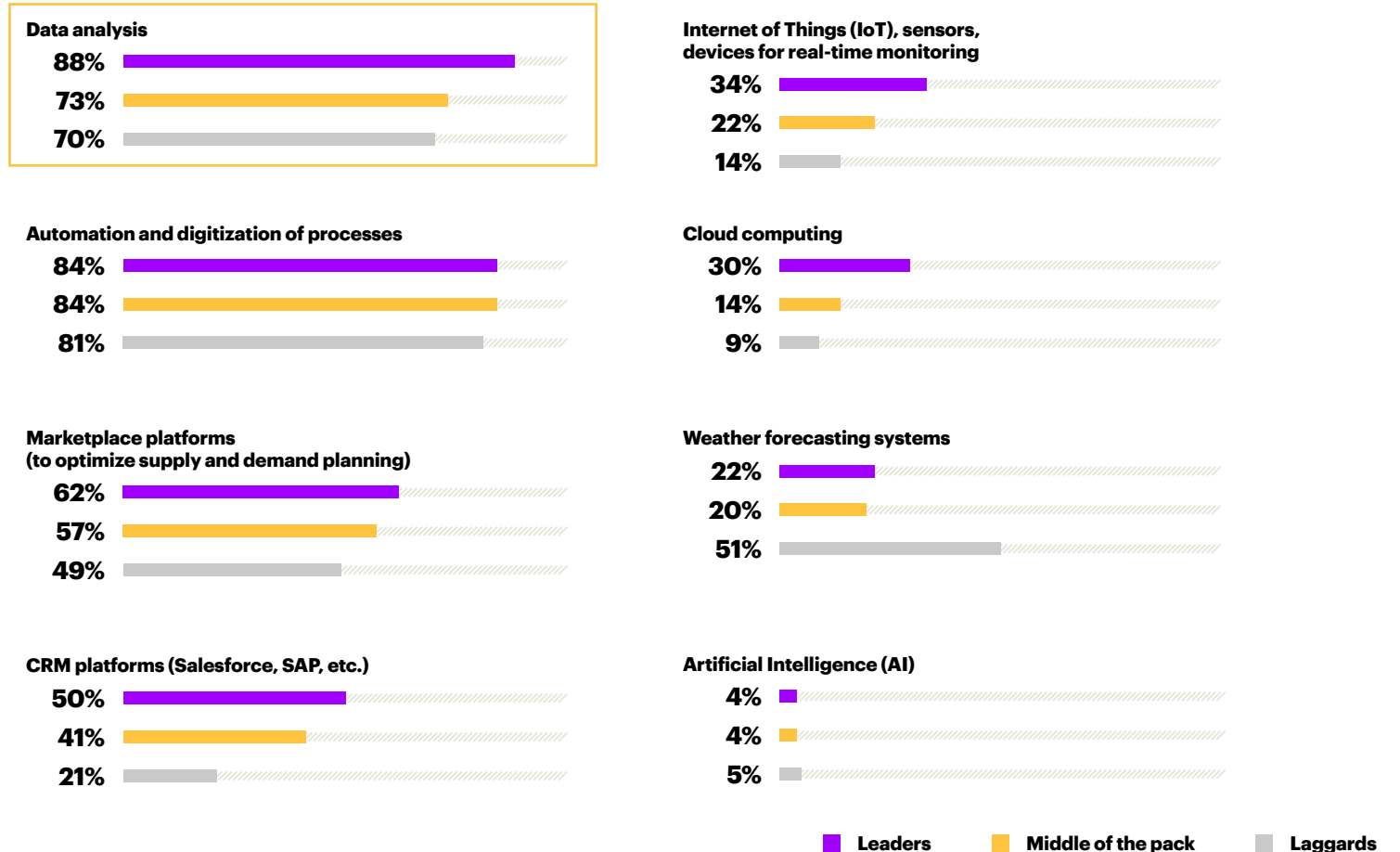


Cloud computing is a solution used by 30% of leaders and 9.3% of laggards – the ‘leading group’ also analyzes data more often (88%) than those at the beginning of the road (69.8%). All the companies we have surveyed, regardless of the degree of fulfillment of sustainable production objectives, almost unanimously point to the automation and digitization of processes as a technology commonly used in their business (over 81% of responses for each of the surveyed groups).

Laggards differ from leaders in how they are preparing for changes in the weather. The former act reactively, while the latter perform accurate measurements and forecasting, for instance of soil moisture. Accordingly, they are able to properly prepare themselves for the upcoming changes. The weather forecasting system is, in effect, one of the technologies made use of by a fifth of local leaders and more than half of laggards.

Chart 11.

What technologies does your company use to develop sustainable development practices?





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Among other solutions, we have in place ERP software that supports our reporting processes and enables us to present production data. As regards agricultural production, all our fields are mapped: soil measurements, crop volumes, soil moisture, etc.”

– says one of the producers.

”

We have an Excel-based system in place for collecting and analyzing ESG data and we keep expanding it. We also have plans to roll out a tool that will enable us to aggregate all our reporting, including ESG reporting”

– adds another respondent.

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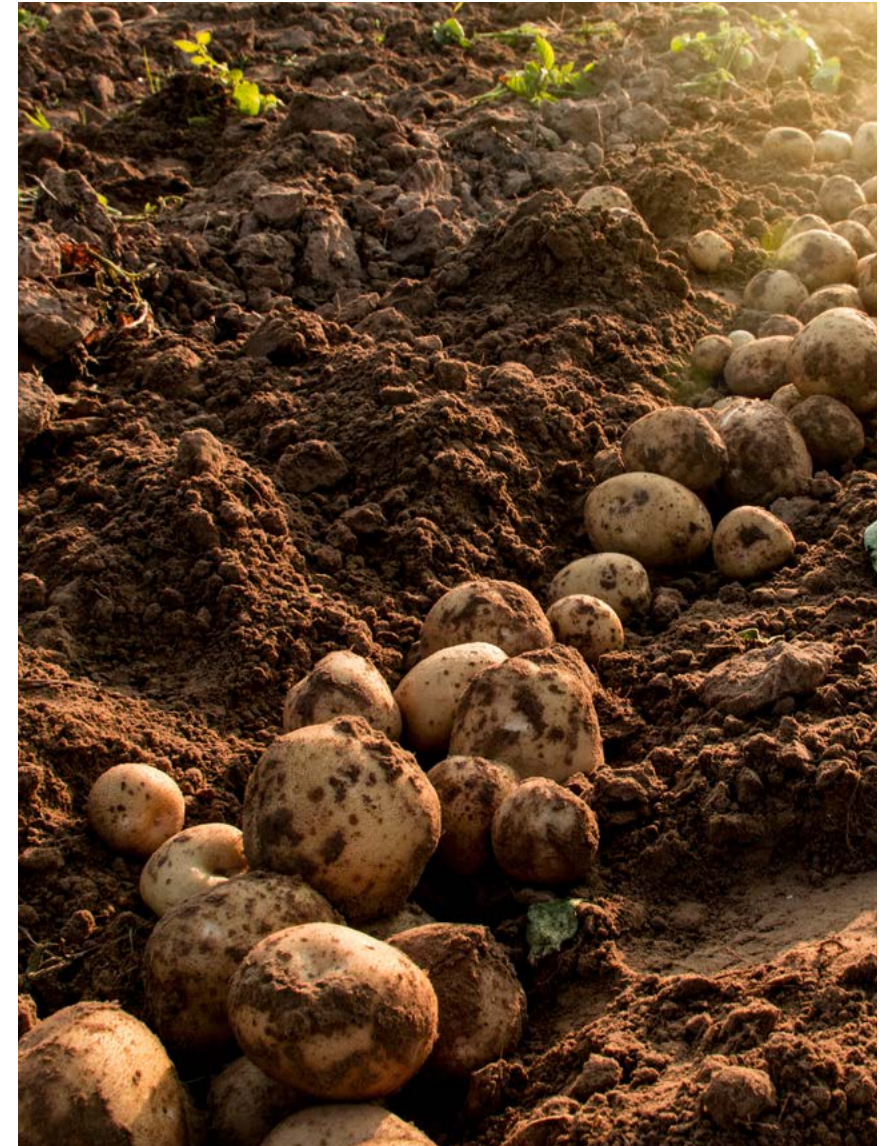
We have cataloged and marked all our crops in terms of location. We keep a record of treatments performed by farmers, and our advisors note down what they have observed in the fields – including their remarks concerning improvements, etc. We also collect all information from our monitoring systems (on quality control, pesticides, etc.). When a filled crop trailer arrives, we have the whole history of the crop in hand, because we have gathering all information about it along the way. In turn, a delivery coming from the warehouse may also be easily traced, because it involves only a single transaction”

– explains a representative of another company from the agri-food industry.

The data we need are usually already somewhere within our organization, but we lack the competence to collect, merge and process them.

Data of this type are sometimes dispersed in various systems and departments – procurement, logistics and sales. For this reason, cooperation between CSR/ sustainable development departments and IT departments is of crucial significance.

Cloud computing, or data processing in the cloud, provides a stimulus for further technological facilitations and improvements, bringing along additional innovations (such as the Internet of Things) that may support the pursuit of sustainable development. The cloud may also have its “green” face as analytics in the cloud will always generate a lower volume of emissions than companies’ own servers. It is worth remembering that at the stage of choosing a solution, a company may opt for a low-emission one.





What is it that national leaders do differently?

4.

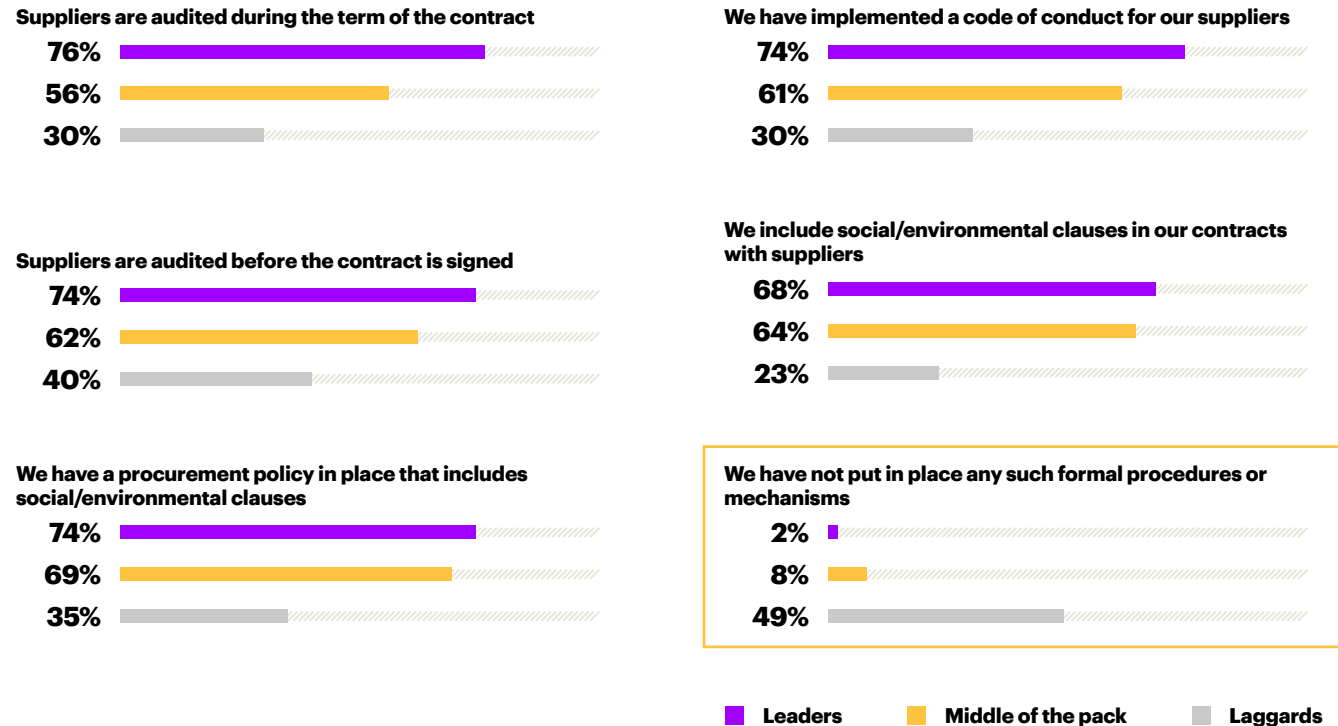
They create the supply chain with sustainable development in mind – they source sustainable commodities, take responsibility for the development and transformation of suppliers, but also verify how sustainable they are and whether they use certification.


Three quarters of Polish leaders of sustainable development verify the standards applied by their suppliers (their procurement policy contains appropriate social and/or environmental clauses). More than every third laggard does this, too. The former group often audits their suppliers in this respect during the term of the contract (76% of responses), while in the case of the latter group it is 30.2%.

At the same time, nearly 50% of laggards do not have any formal procedures or environmental/social mechanisms in place for the selection of their suppliers.

Chart 12.

What mechanisms or social and environmental clauses has your organization put in place for the selection of suppliers?





For sustainable production, the supply chain plays a key role, because emissions from the supply chain are often much greater than direct emissions – specifically, some 5.5 times greater on average (for all industries). When it comes to food production and trade, this result is even more alarming: 5.9 and 10.9 times more, respectively⁷.

”

We use standardized certificates that clearly and specifically define what is sustainable and what is not at the global level. In our company, we use the Farm Sustainability Assessment and GlobalG.A.P., we do not create our own standards. We believe that either the whole company/farm is sustainable or it is not sustainable at all. We already understand that sustainable agriculture translates into profits for the company now, in five years and beyond. This is a long-term repeatable process. We believe that you cannot certify just a single crop on a farm – you either have sustainable goals or you do not”

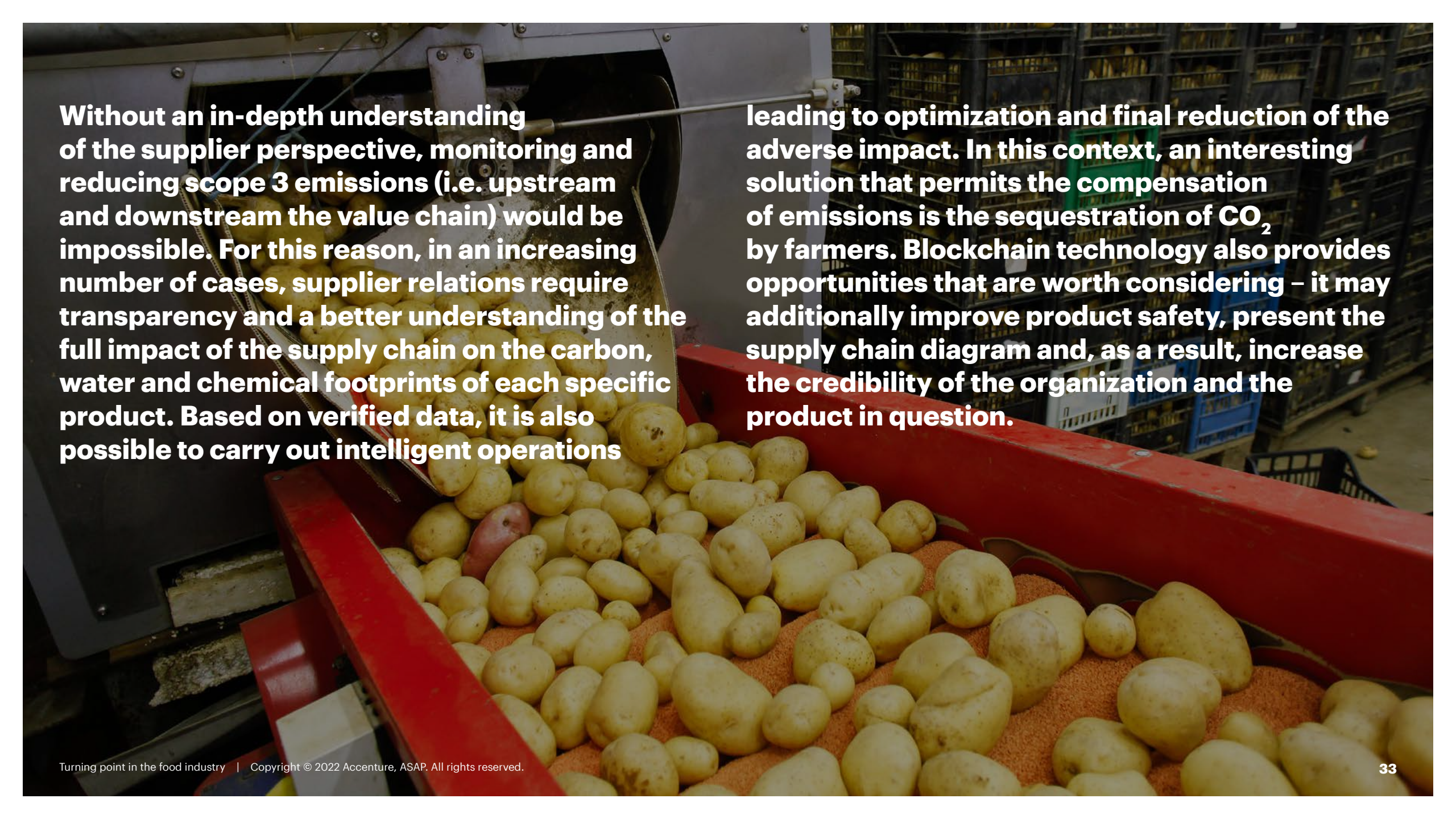
– says a representative of a food processing company.

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We cooperate with farmers by providing them with advisory support, for instance on the use of modern techniques. We are aware that we will have to do a lot of work in this area ourselves. We will provide them with incentives, support them and share our knowledge with them. We are going to expect specific data and calculations from all other suppliers. Farmers would be unable to provide them it on their own”

– argues another producer.

⁷ More information at: https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/072/original/CDP_Supply_Chain_Report_2019.pdf?1550490556



Without an in-depth understanding of the supplier perspective, monitoring and reducing scope 3 emissions (i.e. upstream and downstream the value chain) would be impossible. For this reason, in an increasing number of cases, supplier relations require transparency and a better understanding of the full impact of the supply chain on the carbon, water and chemical footprints of each specific product. Based on verified data, it is also possible to carry out intelligent operations

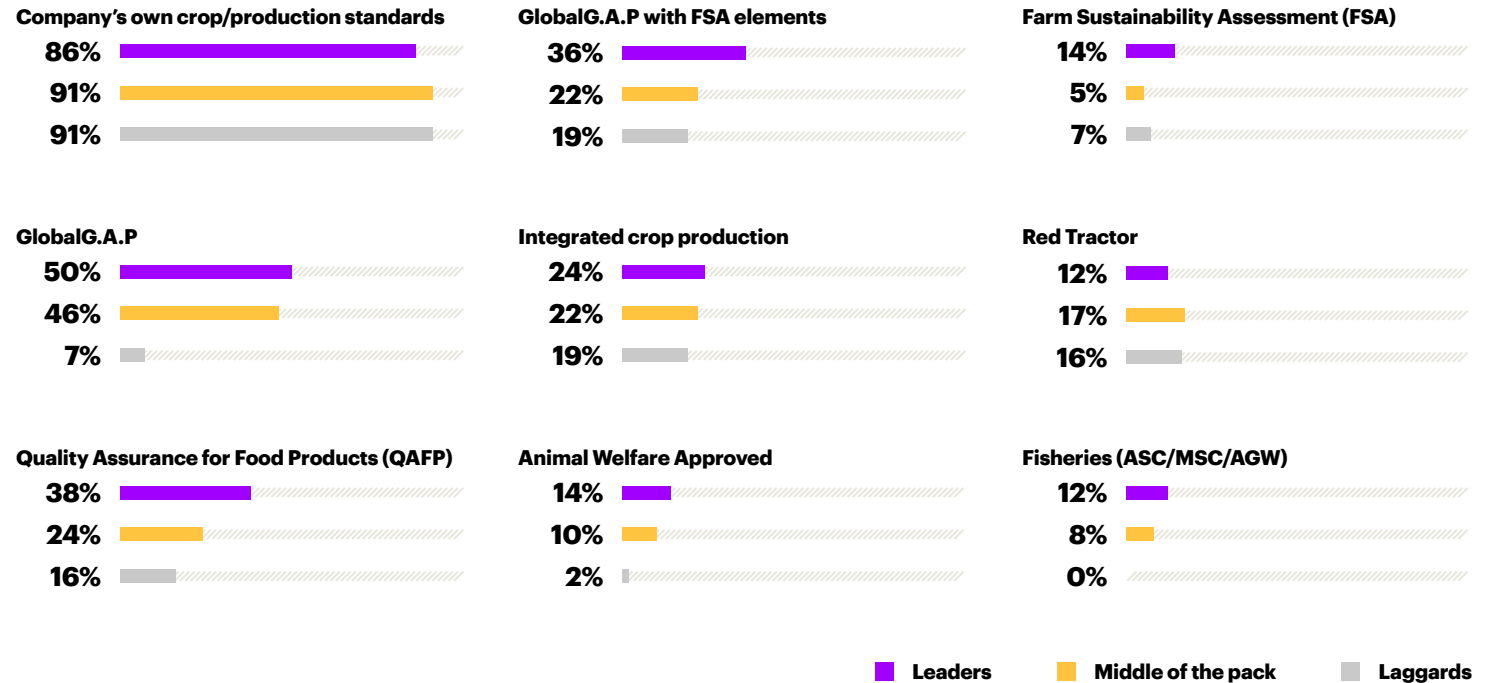
leading to optimization and final reduction of the adverse impact. In this context, an interesting solution that permits the compensation of emissions is the sequestration of CO₂ by farmers. Blockchain technology also provides opportunities that are worth considering – it may additionally improve product safety, present the supply chain diagram and, as a result, increase the credibility of the organization and the product in question.

Polish leaders apply proven food production standards much more often than those who have not yet started their sustainable development journey. This means that, for leaders international standards such as GlobalG.A.P, GlobalG.A.P with Farm Sustainability Assessment (FSA) elements or FSA itself constitute a mandatory confirmation of how the commodity they source has been produced. This is what 50%, 36% and 14% of the surveyed leaders report, respectively, while in the case of laggards the respective figures are: 7%, 18.6% and 7%. The significant role of the Quality Assurance for Food Products (QAFP) certificate is also noticeable – it has been pointed to by 38% of leaders and 16.3% of laggards.

As regards certificates recognized and verified by companies, the dominant response indicates that most market players use ‘their own,’ i.e. proprietary, standards of cultivation or production. Here, however, the big question is: to what extent can one be a judge in his or her own case and are such internal standards (if they are the only ones) are sufficient?

Chart 13.

How does your organization go about confirming that the commodities (plants or animals) it uses are sourced sustainably?





”

Commodities must be certified and suppliers must demonstrate that they ensure specific sustainability measures. Currently, 100% of our suppliers are GlobalG.A.P-certified. Our objective is that, by the end of 2022, 50% of the commodities we use are sourced from suppliers that have been awarded the FSA Gold level”

– explains a representative of one of the surveyed food processing companies.

”

The purpose of a quality certificate in animal production is to guarantee to the end buyer that the marketed product is completely safe for the life and health of the consumer and is produced with care for the natural environment and in compliance with the principles of animal welfare. The most commonly used quality certificates enable not only the full traceability of the product on a “farm to fork” basis, but also help promote specific consumer trends”

– explains another food producer.

What is it that national leaders do differently?

5.

They think not only about the product, but also about the packaging.

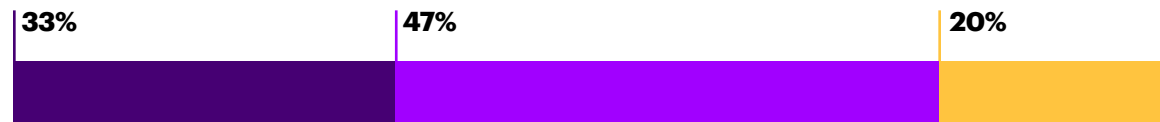


Nearly 47% of leaders put their products in packaging with a recycled plastic content of 20-40%, and one in five utilizes packaging with a recycled plastic content of 40-60%. This is a huge difference compared to the results reported by sustainability laggards, which use such packaging in 14.6% and 4.9% of cases, respectively.

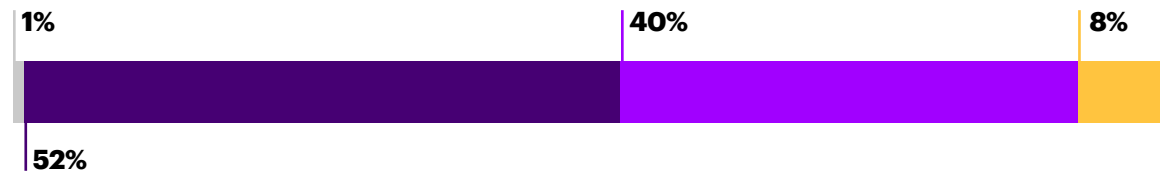
Chart 14.

What percentage of the plastic your company uses in product packaging has been recycled? Please specify the percentage of all plastic used in your company's product packaging.

Leaders



Middle of the pack



Laggards



0% Up to 20% 20-40% 40-60% 60-80% 80% or more

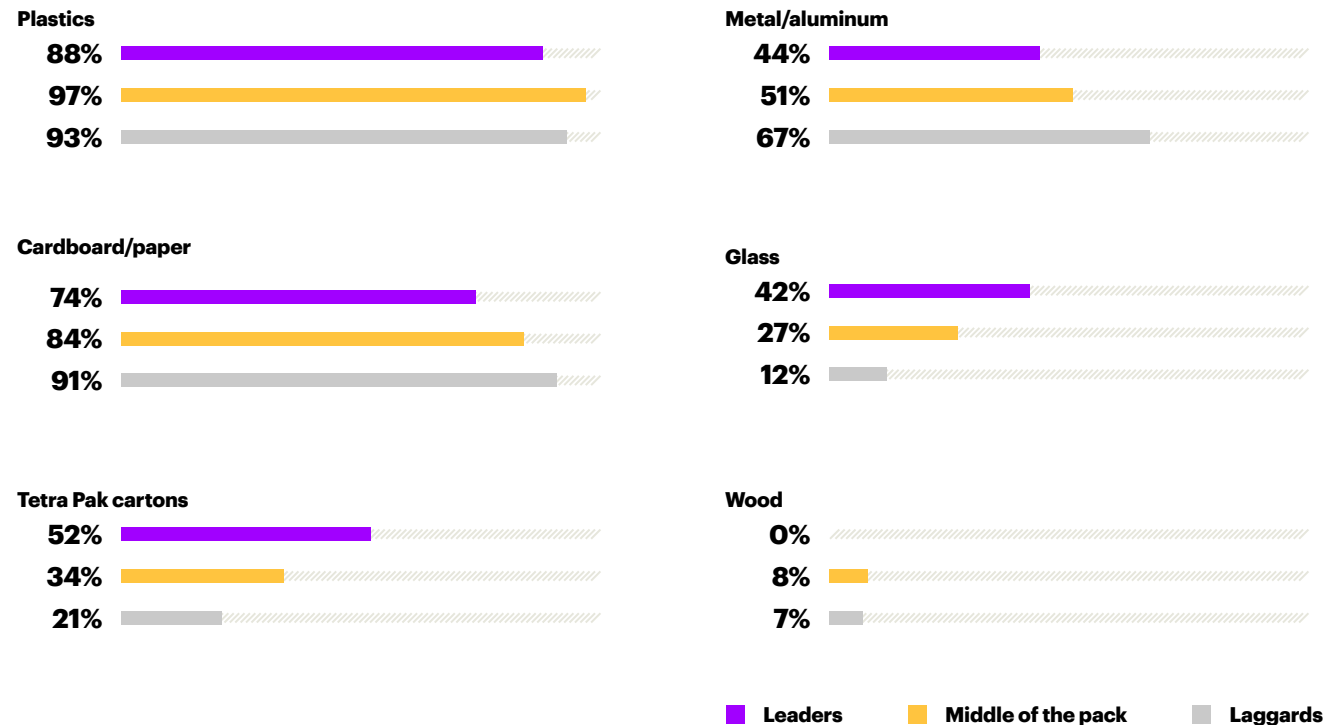


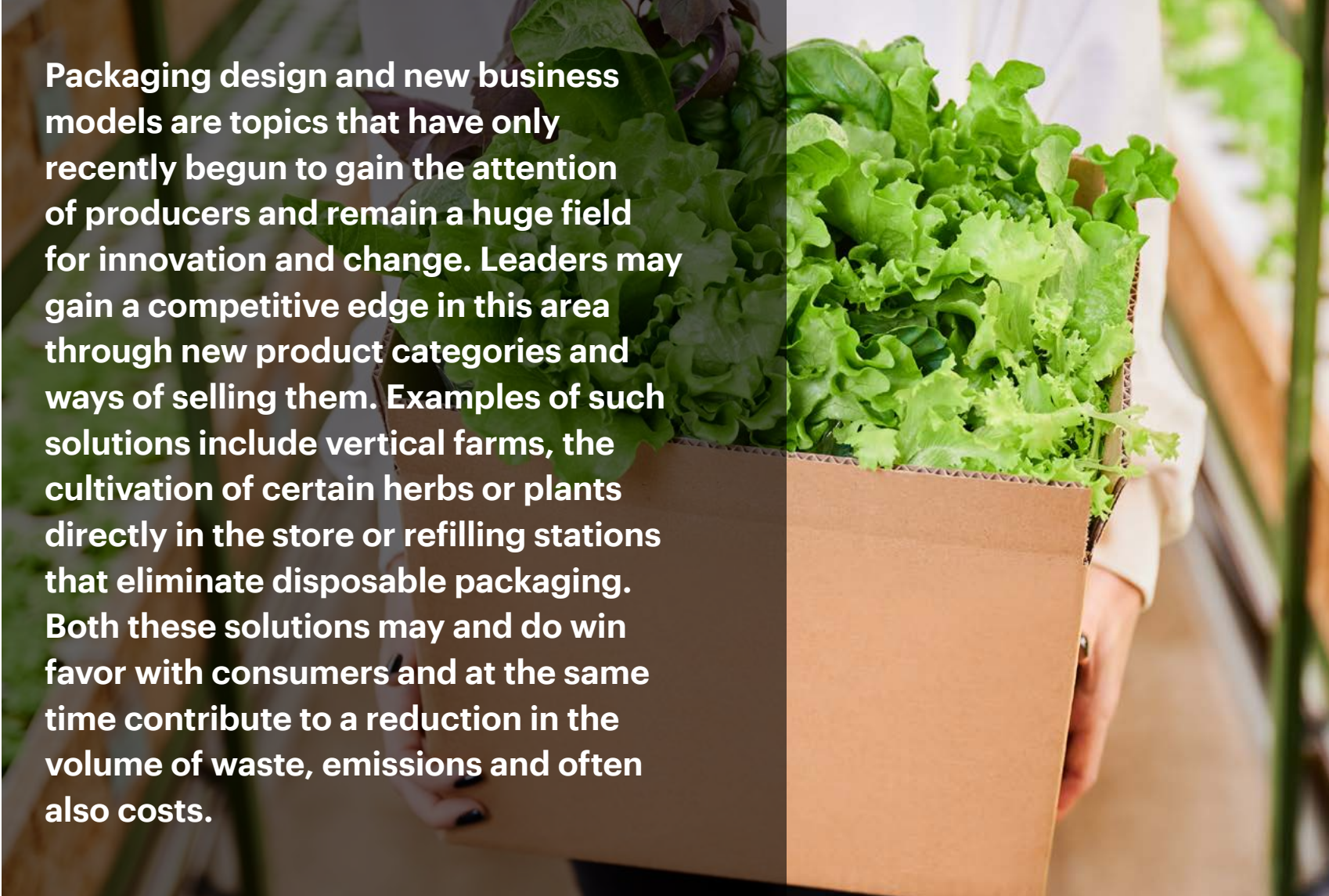


Leaders also use glass or paper packaging much more often than laggards. The clearly noticeable differences are 42% vs. 11.6% and 52% vs. 20.9%, respectively.

Chart 15.

What types of packaging does your organization use for its products?





Packaging design and new business models are topics that have only recently begun to gain the attention of producers and remain a huge field for innovation and change. Leaders may gain a competitive edge in this area through new product categories and ways of selling them. Examples of such solutions include vertical farms, the cultivation of certain herbs or plants directly in the store or refilling stations that eliminate disposable packaging. Both these solutions may and do win favor with consumers and at the same time contribute to a reduction in the volume of waste, emissions and often also costs.

”

We have developed a proprietary system for managing used packaging, which starts at the stage of packaging design and plastic reduction, continues through waste segregation and ends with recycling. By applying this approach, we give a second life to waste – used packaging gets processed and returns to us in the form of paper towels and toilet paper”

– tells us a representative of another company.

What is it that national leaders do differently?

6.

They unite into associations, create partnerships and joint their forces to create solutions.

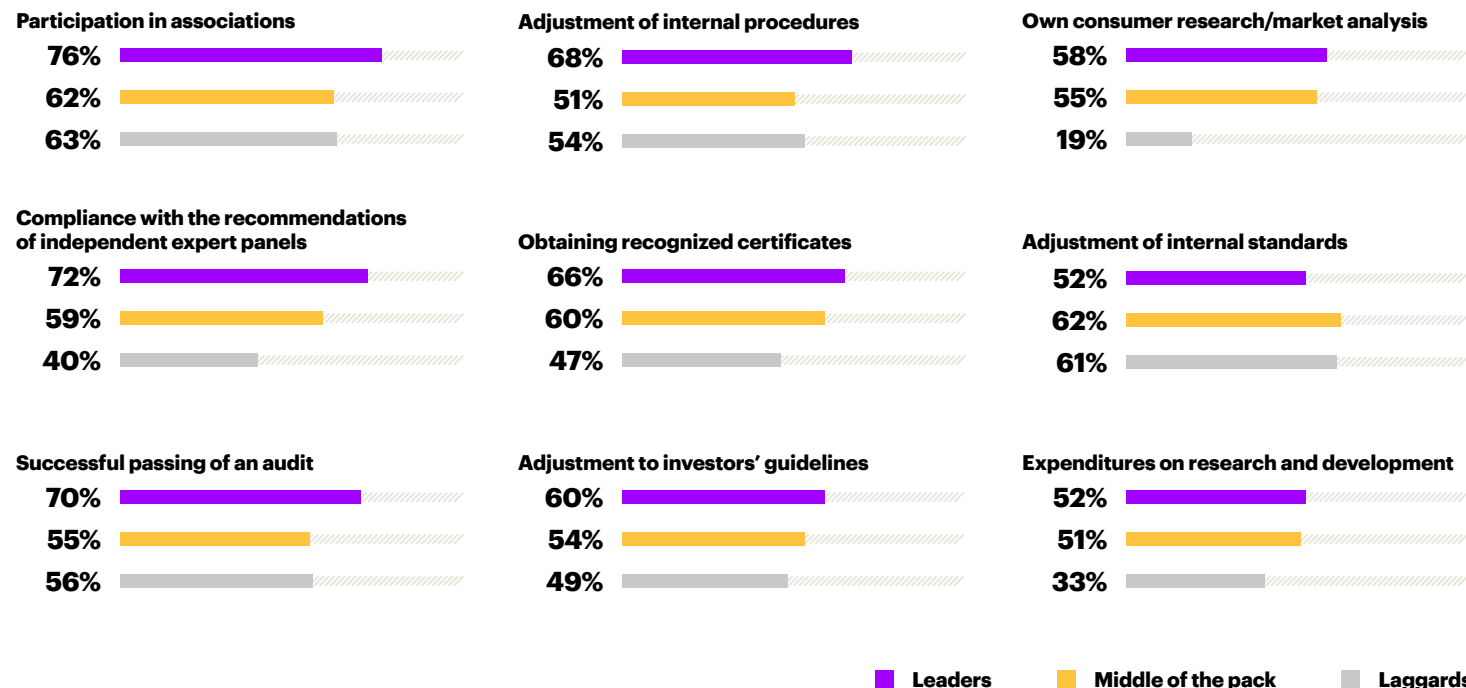




Polish leaders support the launch and development of activities for sustainable development by actively participating in various associations – 76% of companies consider their membership in such organizations their most significant contribution in this area. Interestingly, associations also play the most significant role in this area for laggards – they were selected by 62.8% of the respondents in this group.

Chart 16.

In your opinion, what makes your organization develop in a sustainable manner?





”

We strive to be among the leaders in our industry, especially in terms of commodity management. This was one of the reasons why, several years ago, the idea was proposed to establish the Association of Sustainable Agriculture in Poland “ASAP” with a view to disseminating the concept of sustainable agriculture”

– explains a representative of another company from the industry.

”

By cooperating with ASAP, we educate our partners and inspire them to change”

– emphasizes another producer.

”

Currently, partnerships at every step exert a very strong impact on our business. We are fully aware of the expectations of our trading partners and the significance of providing them with a product that meets these expectations. In this area, we cooperate with our suppliers, but also with other industry organizations, by sharing the same goals”

– says a representative of another food processing company.

Signals to take urgent action



Global Compact
Network Poland



Kamil Wyszowski

Country Representative, Executive Director
UN Global Compact Network Poland

Agriculture is one of the largest emitters of greenhouse gases into the air, even though soil is the second largest absorber or 'storehouse' of carbon dioxide after the oceans. In the EU, agriculture ranks third in GHG emissions. On a global scale, emissions from livestock farming account for approximately 57% of greenhouse gas emissions in the food sector. The high emissivity of agriculture is exacerbated by the widespread and pervasive problem of food waste. In Europe, an average of approximately 179 kg of food is thrown away per person annually. It is estimated that in Poland alone this figure reaches as much as 235 kg, and as much as 50% of purchased bread and a third of vegetables and cold cuts usually end up in the bin. This generates negative effects not only for society

but also for the environment. Throwing away 1 kg of beef translates into a waste of 5 to 10 tons of water used for its production. The rotting of food in landfills generates methane emissions which contribute to global warming on a scale even greater than carbon dioxide. According to a 2021 report by the European Court of Auditors, Poland, Hungary and Ireland have experienced an increase in greenhouse gas emissions from agriculture over the last seven years. Fortunately, solutions already exist in this area. The Food and Agriculture Organization of the United Nations (FAO) has calculated that CO₂ emissions per hectare of cultivation in organic farming systems are 48% to 66% lower than in conventional systems. Without systemic changes, we will fail to achieve the goals laid down in the Paris Agreements,

meaning that the increase in global temperatures will be much greater than the assumed 1.5°C. The constant increase in the average global air temperature compared to the pre-industrial era, the melting of glaciers, droughts and disturbing weather phenomena are indisputable facts. Already, we lose 12 million hectares of land every year to drought and desertification, or 23 hectares per minute – this land would be enough to grow 20 million tons of grain. The climate keeps providing us with increasingly stronger signals that we need to take definitive action. All the more so as agriculture and farmers are the first to be exposed to adverse changes, including natural disasters resulting from climate change.

Recommendations

Keep in mind that leaders and pioneers gain the most

A well-planned sustainable development strategy, trained and aware employees (including managers), and the consistent pursuit of the goals have already generated profits for the leaders. Anyone who perceives sustainability as an expense rather than an investment or a necessity rather than an opportunity may end up losing a lot. Leaders are not only able to generate savings and avoid cost increases, but also – by building credible and transparent communication – gain customer loyalty.

Get ready for the future

Ongoing risk mapping and planning may translate into your competitive edge. We live in a world of uncertainty, but actions consistent with the principles of sustainable development contribute to the stability and resilience of your organization. Do not lose sight of the regulatory environment, get involved in EU and national legislative discussions. Take advantage of the knowledge and networking opportunities generated by associations. This will help you prepare your company better for the changes ahead.

Make decisions based on knowledge and data

Measure, verify and manage consciously. Tap into innovation and modern technologies to explore your impact and make informed decisions. Mature organizations (in terms of data collection and analysis) are capable of better planning and implementing their actions towards the achievement of objectives. At the same time, their expert teams may focus on managing change rather than on simply reporting outcomes.

Be credible

In a world where the topic of sustainable development is broadly discussed in the media by regulators and consumers, it is essential to build credibility and transparency in everything your company does. Verify the outcomes of your actions and let others verify them, show the change you are making in data and figures, use recognized standards, communicate your impact in a thoughtful manner. At the same time, keep in mind the risks of greenwashing.

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Disclaimer

The opinions presented in this report have been presented based on the knowledge obtained from market research, experience of the authors and other industry experts from Accenture and the Association of Sustainable Agriculture in Poland, who have supported the preparation of this report. The authors take no liability for the decisions made based on the opinions contained in this report.

Methodology

Telephone survey conducted in March 2022, commissioned by Accenture. We extend our thanks to 200 companies that agreed to participate in it.

Individual interviews with enterprises were also carried out as part of the research project.

For their participation in our in-depth interviews, we wish to thank the following entities, among others: BNP Paribas Bank Polska S.A., Farm Frites Polska S.A., Krzyżanowski Partners, GoodValley, producer of the Dolina Dobra brand, Grupa Żywiec S.A., the Biedronka Network, DANONE, the Maspex Group, PepsiCo Polska, McDonald's Polska.

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Association of Sustainable Agriculture in Poland "ASAP"

The Association of Sustainable Agriculture in Poland "ASAP" is a non-commercial organization gathering groups of enterprises and individuals representing various industries within the food chain.

The Association takes numerous actions for promotion, education and cooperation in the areas of sustainable agriculture and sustainable food in Poland.

Organization's website: www.sustainableagriculture.pl