

Questions and answers on The Supply Chain Initiative

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This FAQ aims to give some easy-to-understand answers on questions you might have on the Initiative. They are based on the Framework and the Rules of Governance and Operations. The content of these two documents contain the formal information on how the Initiative functions and the obligations contained within it.

1. What is the purpose of the Initiative? Why are we doing this?

The purpose of The Supply Chain Initiative is to promote fair business practices in the food supply chain as a basis for commercial dealings. It aims to generate a culture change through a commitment of signatories to fair trading practices coupled with measures aimed at integrating those principles into company day-to-day operations and to control their application.

The Initiative also aims to ensure that companies address disputes in a fair and transparent manner whilst reassuring the complainants that they will not suffer from retaliation.

Focus on SMEs: The Initiative is designed for all companies irrespective of their size. Conscious however of the administrative burden that some requirements may generate for SMEs, special attention has been given to reduce this burden as much as possible for them.

2. Who is behind the Initiative?

The organisations that have signed up to the framework and are members of the SCI are: the European brands association AIM, the European Liaison Committee for Agricultural and Agri-Food Trade CELCAA, the European Retail Round Table ERRT, EuroCommerce, FoodDrinkEurope and Independent Retail Europe.

AIM - <http://www.aim.be/>

CELCAA - <http://www.celcaa.eu/>

ERRT - <http://www.errt.org/>

EuroCommerce - <http://www.eurocommerce.be/>

FoodDrinkEurope - <http://www.fooddrinkeurope.eu/>

Independent Retail Europe - <http://www.independentretaileurope.eu/>

3. Who is responsible for managing the Initiative?

The Chair and the Governance Group are responsible for managing the Initiative. The Governance Group came into being on 1 April 2013, as a result of an agreement by the Signatory Organisations to endorse and implement the Principles and the Framework. Its composition reflects the different interests in the food supply chain. The list of governance group members is available [here](#). The position of the independent Chair has been created in October 2017.

The role of the independent Chair is to chair the meetings of the Governance Group, act as a recipient for confidential complaints, issue guidance and recommendations of general interest, and promote good practice.

The Governance Group's role includes:

- ensuring compliance with the SCI Rules of Governance and Operations
- ensuring a regular dialogue with the Chair on his/her activities
- supervising the management of the SCI
- working with the Chair in developing guidance and recommendations of general interest that promote good practice

The Chair and the Governance Group are supported by a permanent secretariat and the day-to-day operations are managed by the SCI manager.

4. What are the benefits of signing up?

- Reputation: By signing-up you will signal to your customers, your suppliers and other important stakeholders that you are committed to build fair relations throughout the food supply chain.
- Tailored: Both the list of good commercial practices and the implementation framework have been elaborated by and for the companies in the food and drink supply chain. You will therefore benefit from a system tailored to your needs and specificities.
- Transparency: Irrespective of your company's size, you will benefit from a set of fast and cost-effective dispute resolution options.
- Impartial dispute resolution: The Independent Chair of the Supply Chain Initiative ensures an impartial dispute resolution mechanism in case you are involved in an aggregated dispute and also promotes good practices across the supply chain through issuing relevant guidance.
- EU-wide scope: The same voluntary rules apply to all signatory companies along the food supply chain and throughout the EU.

- Speed: If your trading partner has also signed up, as many of the large companies in the food supply chain have, you have immediate access to a rapid and cost-effective method to solve any problems that may arise.

5. What is the geographical and transactions scope?

Registration is open to any company in the food & drink supply chain operating in the European Union (EU): Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

If a company operates in the EU and in non-EU countries, it may register for those national markets located in the EU.

Companies that have registered commit to apply those principles in their commercial transactions. Registered companies are expected to implement the Principles throughout their organisations independently of the geographical origin of their business counterpart provided that the obligations under the contract are to be performed in the EU. Performance is usually interpreted as the place where the product is delivered.

6. Who can register and how?

Only companies can register. Trade associations cannot.

The Initiative is open to companies of all sizes in the (fresh & processed) food & drink supply chain, including farmers, wholesalers, processors and retailers (including purchasing companies).

The Framework does not apply to companies in support services (eg. logistics, packaging, etc.).

Registration must be by an executive or a number of executives having the power to commit the whole company in the EU including all subsidiaries in the EU, in accordance with each company's corporate structure.

Focus on micro, small and medium-sized enterprises: the registration procedure depends on the size of the company. A light procedure is in place for micro/small enterprises and a simplified one for medium-sized enterprises. For detailed information, please check [here](#).

7. What does it cost to register and to participate?

There is no annual or initial registration fee.

Each company carries the cost of implementing the commitments set down by the Initiative but the stakeholder associations provide, for example, tools to help with self-assessment and training, that will make it cost effective for registered companies to sign up.

8. I am a non-food company, can I register?

The Initiative is open to companies in the food supply chain. However, companies who are part of the food and drink supply chain are encouraged to apply the principles throughout their organisations independently of the nature of the product if similar conditions exist (e.g. similar chain composition; similar product groups or similar procurement policies). This Initiative does not apply to the provision of services that input into the food chain that are merely instrumental to it (e.g. logistics, packaging, transport, IT).

9. Is registration at company/group level?

Registration is at group level and includes all subsidiaries across the EU. However, implementation of the Initiative obligations is primarily national. Companies are free to set up their dispute resolution contact point at national or group level. If a company already complies with the Principles and the process commitments in some of its countries and wishes to signal its commitments, you may contact the [Secretariat](#).

10. I am a group, can I register my national operating companies progressively?

As a matter of principle, companies are required to register all their national operating companies at the same time.

However, in the case when a company wishes to register its national markets progressively due to particular circumstances, it may send an official request to the Chair and Governance Group explaining these circumstances, via the [Secretariat](#). The Chair and Governance Group will then examine the request and allow a progressive registration. It is advised to include the country where the group is based in the first round of registration.

11. How do I register?

Formal registration is via the website of The Initiative using a standard form. At the time of registration, companies confirm that:

- They comply with the Principles of Good Practice.
- They have undertaken a self-assessment.
- Training is being set up or adapted to ensure compliance with the Principles. Priority targets will already have undergone training but training may not yet have been undertaken by all relevant staff by the time registration takes place.

- They are prepared to engage in the dispute resolution options proposed in the framework.
- They agree that commercial retaliation is a breach of principles and process commitments.
- They communicate their registration to business partners.
- They have appointed contact person(s) for internal dispute resolution and for process-related issues. These can be the same or different persons.

You will receive a confirmation from the Secretariat that your registration has been received and is under review. If your registration is accepted, you will receive a confirmation email and subsequently the name of your company will appear on the registry of signatory organisations.

Focus on micro, small and medium-sized enterprises: the registration procedure depends on the company's size. A light procedure is in place for micro/small enterprises and a simplified one for medium-sized enterprises. For detailed information, please check [here](#).

12. What is the letter of intent and what does it imply?

The letter of intent is a model letter through which companies signal their commitment to the Principles of Good Practice and their commitment to sign up to the Initiative when they fully comply with all requirements, and so preferably within 6 months.

This letter is common to all companies, regardless of the sector and sets out the requirements that companies need to fulfil when they sign up to the Initiative.

You may download the [letter of intent](#) and send it to the [Secretariat](#). By sending the letter of intent, you signal your intention to support the Initiative, in particular to your trading partners.

13. Can I immediately register with no prior letter of intent?

Companies can directly register with no prior letter of intent as long as they comply with the Principles and fulfil the process commitments. Sending a [letter of intent](#) aims to show support to the Initiative and send a signal to the company's business partners. (The letter is also available in all languages).

14. Who should sign the letter of intent?

The signatory of the [letter of intent](#) must be an executive or a number of executives having the power to commit the whole company in the EU including all subsidiaries in the EU, in accordance with each company's corporate structure.

15. What does the self-assessment imply?

At the time of registration, companies will have reviewed their internal procedures to ensure that they are compliant with the Initiative. To help doing so, self-assessments tools have been developed. They offer a non-binding standardised procedure to carry out self-assessment and vary depending on whether the company is a SME or a larger company. Medium-sized enterprises benefit from a simplified self-assessment and micro/small enterprises do not need to undertake any self-assessment.

Self-assessment covers the following points:

- The company confirms compliance with the Principles of Good trading Practice (it does not necessarily mean that all contracts have already been modified at the time of registration but that this process is well underway and will be completed at the earliest opportunity).
- Training is being set up or adapted to ensure compliance with the Principles. Priority targets will already have undergone training but it may not yet have been rolled out to all relevant staff by the time registration takes place.
- The company is prepared to engage in all the dispute resolution options proposed in the framework.
- The company agrees that commercial retaliation is a breach of principles and process commitments.
- The company communicates its registration to business partners.
- The company has appointed contact person(s) for internal dispute resolution and for process-related issues. These can be the same or different persons.

16. What are process commitments?

Process commitments are obligations that registered companies must comply with to fulfil the requirements under the Framework together with the Principles. Process commitments aim to ensure that companies take the necessary steps to integrate the Principles in their daily activities and report on their activity. They require companies to:

- comply with the Principles of Good Practice;
- have undertaken a self-assessment;
- have set up or adapted training of senior executives and relevant staff to ensure compliance with the Principles of Good Practice;
- be prepared to engage in the dispute resolution options provided under the SCI;
- communicate its registration to business partners;

- have appointed contact persons for internal dispute resolution and for process-related issues; these can be the same or different persons;
- not take retaliatory action;
- respond to a request by the Chair to comply or explain; in the context of an aggregated complaint
- to respect and follow up on any decision of the Chair concerning a complaint in which it is involved.

17. What is the purpose of training and who should be trained? Where can I find help?

Training is a key instrument to incorporate the Principles into a company's values. The Initiative foresees that training programmes should be adapted, or set up, to integrate the Principles into a company's culture and day-to-day operations but is not prescriptive as to how training should be conducted.

Who should be trained? As a minimum, all staff members involved in negotiations with business partners should be trained in the correct application of the principles, as well as the person(s) responsible for the internal dispute resolution. To create further internal awareness of the principles, directors, managers and internal staff trainers should also be trained.

An SCI learning tool to support trainings is currently being developed. Information will be made available on the website shortly.

Focus on SMEs: National federations are encouraged to develop training tools on the Principles and the Framework, especially for SMEs.

18. I am not registered, can I benefit from the Initiative?

Non-registered companies can indirectly benefit from the Initiative because it leads to a culture change that can be beneficial when dealing with registered companies. In addition non-registered are also free to give feedback to their representative association.

However, the Initiative only fully covers relations between companies who agree to abide by Principles of Good Practice in their commercial relationships. To benefit from the full set of options for amicable dispute resolution under this Initiative, companies should be registered.

19. What happens in case of an alleged breach of a Principle?

- Individual dispute

In case of an individual dispute, companies have the following options to solve their disputes:

- Commercial track: the complainant may decide to take the issue to a higher level within the commercial hierarchy of the company allegedly in breach;
- Contract options: the complainant may resort to any mechanisms of dispute resolution foreseen in the contract;
- Internal dispute resolution: the complainant may resort to the internal dispute resolution body of the company allegedly in breach. With the exception of small companies, registered companies must have an internal dispute resolution procedure in place. This internal dispute resolution procedure must be independent⁴ of the commercial negotiations and be impartial and quick. It should be elaborated in such a way that it reassures that the complainant will not be subject to commercial retaliation;
- Mediation or arbitration: parties may choose to resort to an independent third party to solve their dispute either through a non-binding solution (mediation) or a binding decision (arbitration). These options require the agreement of both parties. The sharing of costs for this option is determined by the applicable law. The arbitration process should give effective guarantees of defence. The burden of proof rests with the complainant;
- Judicial methods: the complainant may choose to resort to the ordinary judicial methods according to national rules and regulations.

Commercial retaliation against any company for using these mechanisms is a serious breach of the Principles of Good Practice.

The choice of dispute resolution mechanism lies with the complaining company unless this would infringe national law. The latter may choose the option that best fits its needs provided that this choice is proportionate, taking into account cost efficiency and effectiveness in relation to the nature of the dispute. This means that companies are expected to resort first to the options that are less adversarial and costly.

Focus on SMEs: Only registered companies can resort to dispute resolution options. SMEs have every interest in registering so as to benefit from these options.

- Aggregated dispute

An aggregated dispute is a dispute regarding an alleged serious breach of the Principles of Good Practice introduced to the SCI Chair by a group of companies or an association acting on their behalf. (see question 21 for further details).

20. What are the sanctions and remedies for breaches of Principles?

The remedies, sanctions, and/or penalties, including financial compensation for any actual and proven damages, for non-compliance with the Principles of good practice,

including commercial retaliation, are determined by the dispute resolution options used. They are enforceable according to the applicable law in a given jurisdiction.

21. What is an aggregated dispute? how is it dealt with?

An aggregated dispute is a dispute regarding an alleged serious breach of the Principles of Good Practice introduced to the SCI Chair by a group of companies or an association acting on their behalf.

A complaint needs to be introduced to the SCI Chair by contacting the SCI manager (info@supplychaininitiative.eu). The SCI Chair and Manager are the only people from the SCI who will be familiar with the case and are both bound by confidentiality throughout the entire dispute resolution process.

The receipt of the aggregated complaint will be acknowledged in writing and the SCI Chair will:

- collect the relevant information in a legally compliant manner in order to verify that the complaint has substance and merit, and;
- guarantee, throughout the procedure, the anonymity of all the parties concerned, as well as the confidentiality of the process and of any sensitive information.

Groups of companies or associations acting on their behalf involved in the preparation and submission of an aggregated complaint are expected to comply with all applicable legislation, in particular with rules on the exchange of sensitive information and coordination of behaviour in the market.

In assessing whether the complaint is receivable, the Chair will, in a legally compliant manner:

appreciate whether it has a cross-border impact or whether no national platform is available to which to refer the dispute; verify that the complaint has substance and merit.

If no National Platform or similar suitable scheme is in place at national level, the Chair will, as a first step, assess whether there is an appropriate means to handle the issue nationally. Should this not be possible within a reasonable timeframe, the Chair will assess whether the complaint is receivable.

If the complaint is receivable, the Chair shall hear parties involved and, if justified, require the party allegedly in breach to comply or explain. If necessary, and with the agreement of the parties concerned, the Chair may refer them to an external mediator or arbitrator.

If the case is of general interest, the Chair shall work with the Governance Group to issue guidance and recommendations of general interest that promote good practice. The

guidance shall be communicated to all registered companies via the public website and included in the annual report.

22. There is no national stakeholder platform in my country, what should I do?

As disputes mainly arise on a local level, the framework encourages the setting up of national stakeholder platforms mirroring inasmuch as possible the EU-level platform. Guidelines to set up a national platform can be found here.

In the absence of a national platform, an alleged breach of principles affecting several companies and requiring guidance and interpretation can be brought to the attention of the SCI Chair via their national and EU level sector representative organisations.

23. What happens in case of a breach of a Framework obligation? (also known as process commitment)

The Initiative foresees a procedure to flag issues if a registered company is allegedly not meeting its Framework obligations (Framework obligations are also known as process commitments).

If a company comes across an anomaly (e.g. the contact person for internal dispute resolution, whose name is mentioned on the website, has left the company and has not been replaced), it can:

- raise the matter with the company concerned;
- directly inform the Chair of the SCI (by sending an e-mail to the info@supplychaininitiative.eu), who will ensure anonymity and confidentiality.

24. Are sanctions foreseen for breaches of process commitments?

Upon receipt of a complaint or if he/she becomes aware of an alleged breach of a process commitment, the Chair will assess the alleged breach in a proportionate and gradual manner:

a) for minor breaches, the Chair asks the company to remedy the situation. No publication of the company name is foreseen;

b) for major breaches:

- suspension: if a breach is confirmed, the Chair asks the company to remedy the situation. If after 30 calendar days, no action is communicated, the Chair may issue a warning letter. If after a further 30 calendar days the company continues to breach its process commitments, it could be temporarily suspended pending rectification of the breach. This suspension means that the company cannot benefit from the SCI but continues to be bound by its obligations. Information about the suspension will be given on the website;

- exclusion: for persistent, intentional and unexplained breaches, having first followed the gradual procedure mentioned above, the Chair may ultimately decide to exclude the company from the SCI. This decision would be published on the website and in the annual report. The duration of the exclusion will be for a minimum of six months and for as long as it will take for the Chair to obtain sufficient guarantees that the concerns will be sustainably remedied. The excluded party will need to reapply should it wish to join the SCI again. The Governance Group may agree to reconsider the decision, provided that new evidence or arguments are introduced.

The Chair focuses on ensuring that non-compliant behaviour is corrected as quickly as possible. He/she ensures that any sanction is both proportionate to the nature of the breach and effective. At all times the parties concerned will be given an opportunity to explain.

25. What is the role of national associations who are members of the Governance Group associations?

National members are encouraged to support the Initiative by developing training tools and awareness raising activities. They will play an important role especially in rallying SMEs to the framework.

Furthermore, as disputes arise mainly on the national level, national federations are encouraged to set up similar stakeholder platforms to support the Framework and for the handling of disputes (see [Guidelines for setting up a national platform](#)).

The Initiative foresees a procedure whereby a national dialogue / scheme can ask to be recognised as compliant with the European framework. Companies taking part in a compliant national scheme would be deemed compliant with the European framework obligations (see the [Compatibility table](#)). They would, however, still need to register with the European Initiative and comply with additional requirements as the case may be (eg. reporting obligations).

Where a national platform gives guidance on interpretation of a Principle as a result of an aggregated dispute referred to it, it has the obligation to inform the EU-level Governance Group to guarantee a coherent interpretation across the EU.

26. I am already covered by legislation applicable to business to business food supply chain relations at national level, what is the benefit of joining the Initiative?

Irrespective of the regulatory framework in place, by signing up to the Initiative companies signal their commitment to fair trading relationships. They draw a benefit in terms of commercial relations based on fair trading practices and subsequently in terms of image. The Initiative acts as a complement to existing national legislation by offering additional norms and behaviours and added dispute resolution

options. Signatory companies may find an advantage in resolving their disputes by making use of the Initiative rather than going to court.

Where national rules already impose requirements on companies, these take precedence over the Initiative.

27. What is the annual survey? Why is it important?

When registering, companies commit to participate in an annual survey. The survey will consist of a simple web-based questionnaire. It will be conducted by an external service provider, ensuring the anonymity and confidentiality of the data.

The annual survey will enable the Governance Group to assess the functioning of the system, its impact and effectiveness. It is also a means to receive feedback from registered companies on their experience with the Initiative and identify ways of improving it.

Companies participate in the survey for each of the countries where they operate.

Focus on SMEs: Only registered companies can take part in the annual survey. SMEs are therefore encouraged to register so as to be given an opportunity to be heard via the survey.

In addition, EU level sector organisations represented in the Governance Group can consult their own members on the functioning of the system, including non-registered companies.

EU level sector organisations will inform the Governance Group that they are carrying out such a survey and ensure that the results are presented in a way that is compatible with the annual survey under the Initiative.

28. What is the European Commission's involvement in the Initiative?

The Initiative operates independently from the European Commission. However, the European Commission offered support with translation of the Principles and Framework. It will closely monitor the development of the initiative and have the opportunity to comment on a preliminary version of the annual report. The final report will also be shared with the European Parliament.

The Initiative was developed by a multi-stakeholder dialogue composed of supply chain associations formed in the framework of the High Level Forum on a better functioning of the food supply chain run by the European Commission.

29. How can I resign from the Initiative?

The Supply Chain Initiative is a voluntary initiative. Therefore the companies who have registered may by any time decide to resign. However, please note that, when resigning,

the company has to inform its trading partners of its decision. To resign, please contact the [Secretariat](#).