



WHEN TRUST MATTERS

Contract Manufacturing and Compliance Challenges

Food Safety Summit

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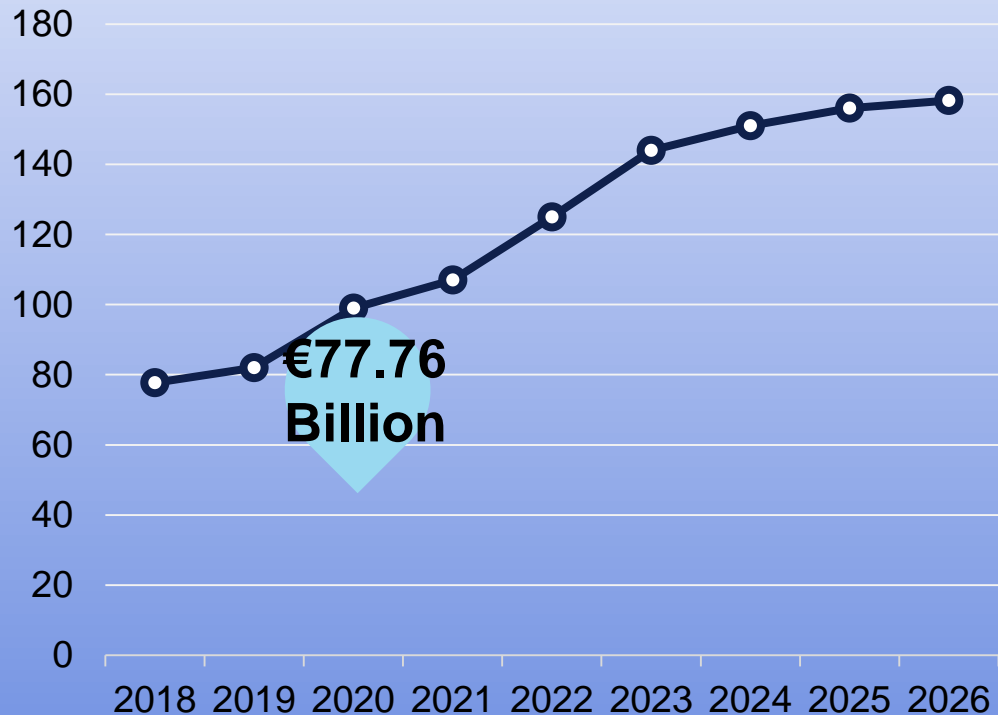
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AGENDA

Growth forecast for Contract Manufacturing
Opportunities and controls
Supplier approval & internal auditing
Role of Third Party Training & Certification

Forecast of Global Contract Manufacturing

Market Value in Billion Euros



Contract Manufacturing Global Market is expected to grow

more than 50% until 2026.

The main driver of this trend is connected to cost optimization.

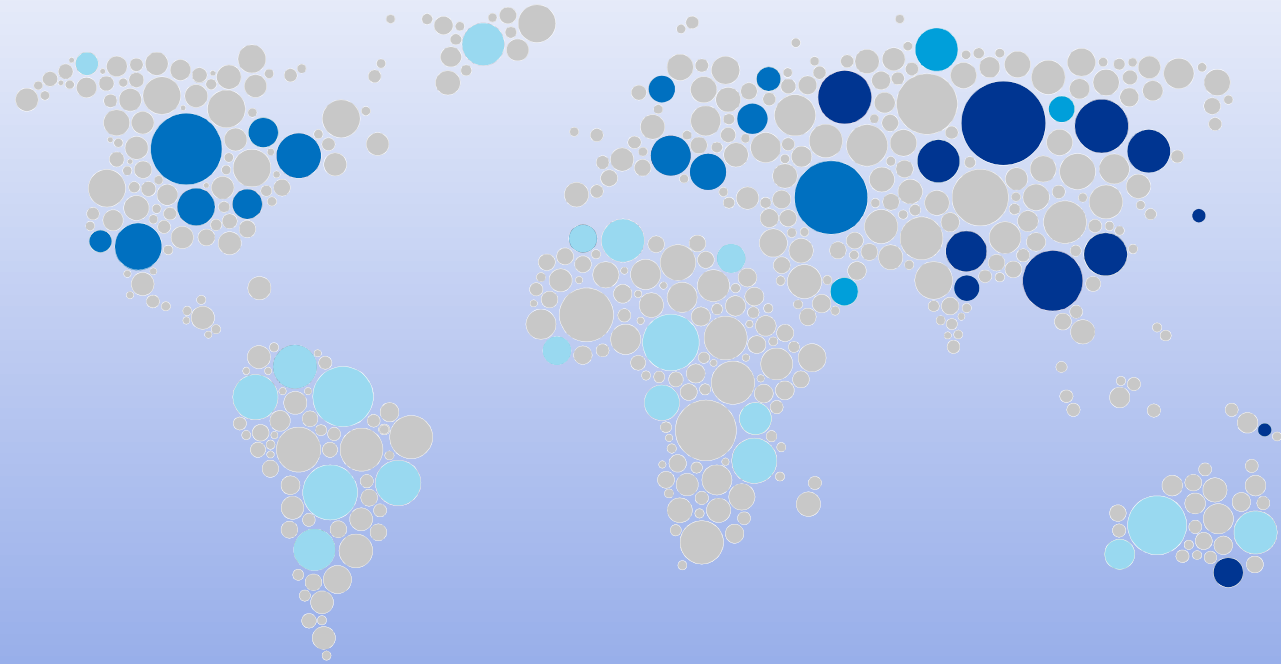
Pharmaceutical companies are expected to grow significantly (new drugs, new demands for vaccines and packaging for drugs especially).

Food Industry co-packing is also expected to grow further, achieving second largest share of growth.

Global Growth

Largest share of growth is expected in North America, followed by European Market.

However, the biggest co-packing market remains in Asia.



Increased business flexibility



Noted reduction of costs



Great reduction of Carbon Footprint

According to Sofeast (2018)



Asia Pacific Market

- Co Manufacturing in **China** have skilled workers. Majority of companies have vast experience in co-packing
- **India** is also taking advantage of growth of the market, encouraging diverse industries to setup their locations in the country
- **Japan** is still immature but presented growth of 30% - mainly pharmaceutical companies
- **Australia:** extensive governmental reforms are bringing up challenges but proximity to Asia is advantage



Europe Market

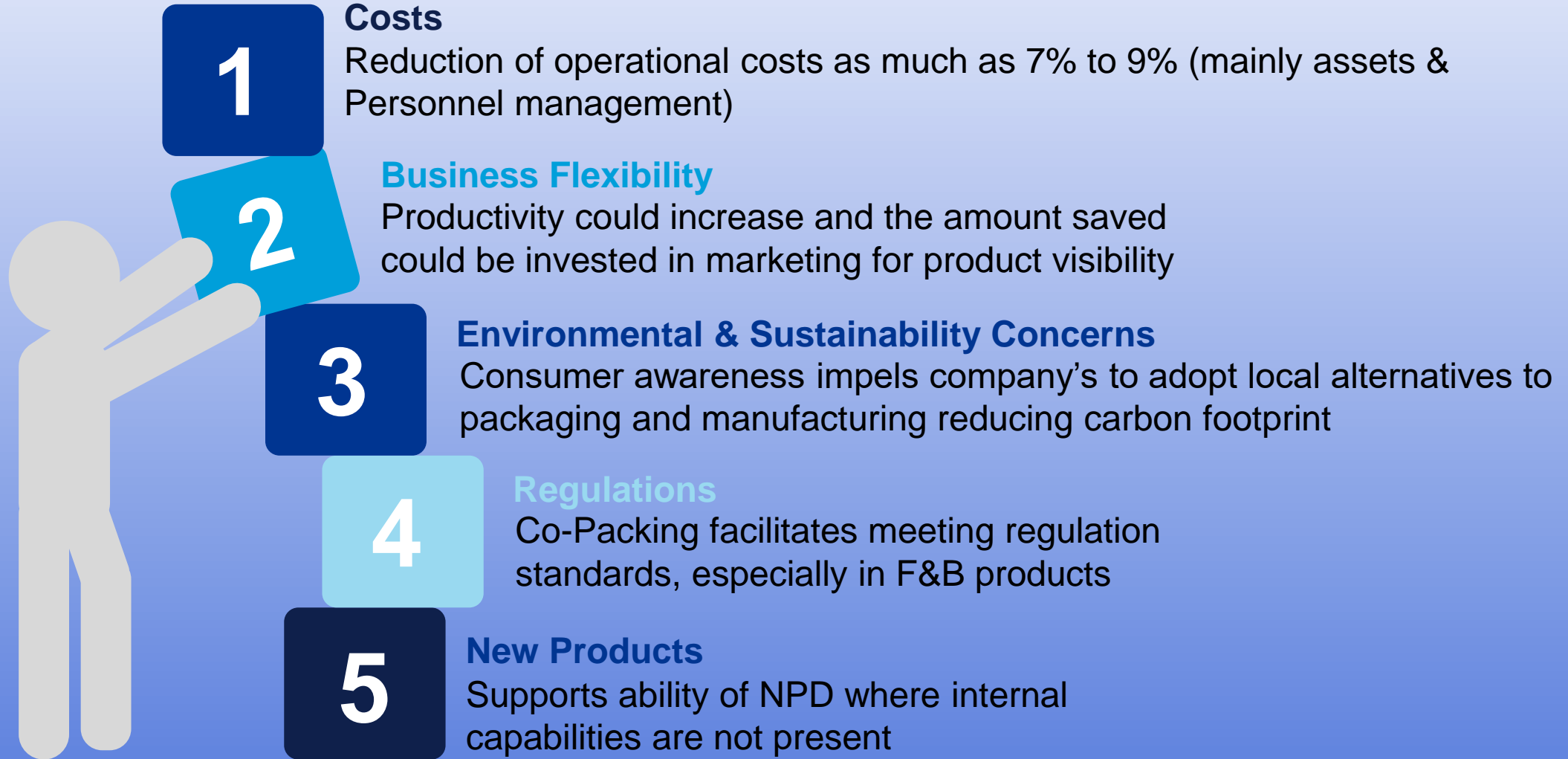
- European Co-Packers Association is raising awareness of co packing and co manufacturing.
<https://www.ecpacopacking.com/>
- Opportunity to each organization to invest in new technologies and introduce sustainability into their operations.



North America Market

- Contract manufacturers are growing in both presence and revenue.
- Companies are spreading throughout all U.S. states and Canada.
- Food industry should have the biggest spike of growth.

Top 5 reasons Co-Manufacturing is used?



What are concerns with using Co-Manufacturing

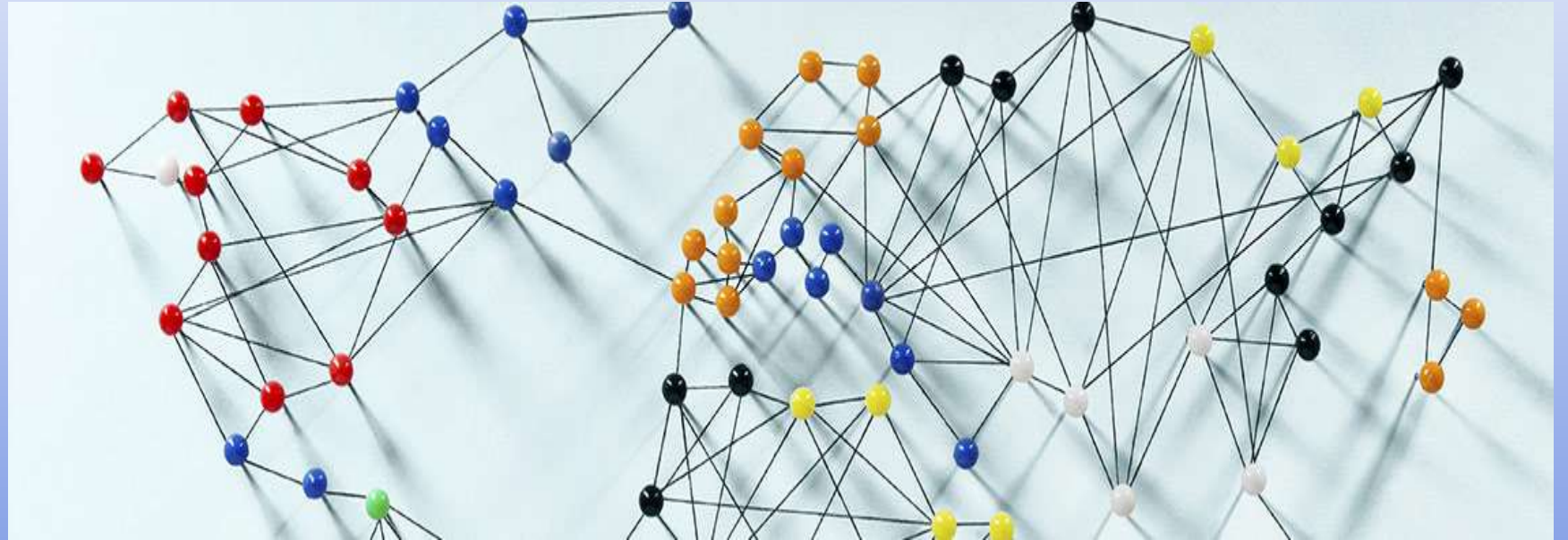
Food Safety
Quality Control

Food Fraud
Food Defense

Social
Human Rights

Traceability &
Transparency

Communication Break
down/Supply chain
disruptions



Sustainable performance is not only about what you do. You are also judged on the actions of your suppliers/co packers. Consumers increasingly consider environmental and ethical performance when making their choice of brand, looking for products with a responsible trail.

Challenges seen from Certification Body Perspective

Risks

- Brand reputation from incidents
- Geography – Emerging or unstable countries
- Countries with known issues
- Lack of commitment from co packer due to annual tender processes
- Lack of full transparency in supply chain

Typical Controls

- Supplier approval and monitoring process
- Assessments – Snap shot of compliance, examples annual GMP or 3 years SMETA assessment
- Internal Audits – inexperienced auditors
- Documentation Audits
- Policies on key topics:
 - Human rights
 - Animal welfare
 - Environmental impacts
 - Health & Safety

Opportunities

- Long term partnership commitment drives investment
- Digital solutions to support transparency and traceability
- Real time systems to monitor quality and food safety
- Invest in survey tools for gaining worker insights into culture
- Consumer confidence

WE LIVE NOW IN A MORE COMPLEX POST COVID RISK REALITY

Demands a structured approach

Food safety

GFSI benchmarked standards



DE&I

ISO 30415



Cyber security

ISO 27001



...and more

ISO 9001
ISO 14001
ISO 45001
ISO 37001

Aided by deeper predictive insight



Audit data

70,000 companies
3 million+ findings
ca 300,000 added annually



Root cause analysis

Corrective action logs
Ca 50,000 audits
root cause and corrections



Surveys

4 ViewPoints
6 Espressos
(risks & management systems)

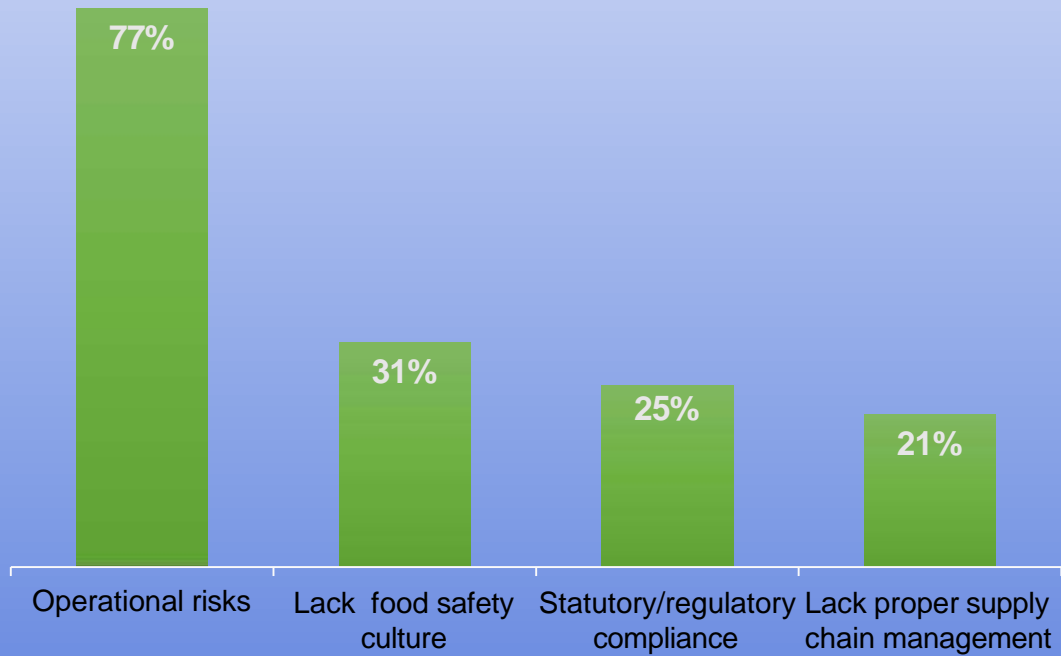


Research

Publicly available resources & databases
DNV's R&D research reports

Source: DNV audits 2022

Perceived main food safety risks



Post-pandemic food fraud and food safety culture is rising on the agenda.

Source: ViewPoint: Food safety: What's next to assure its future

Cyber and information security risks

Information security



Having appropriate personnel to manage information security within the organization



Having an information security policy approved by top management

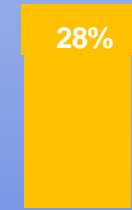


Providing information security training to staff

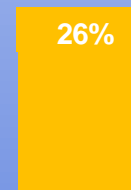
Information privacy



Human error



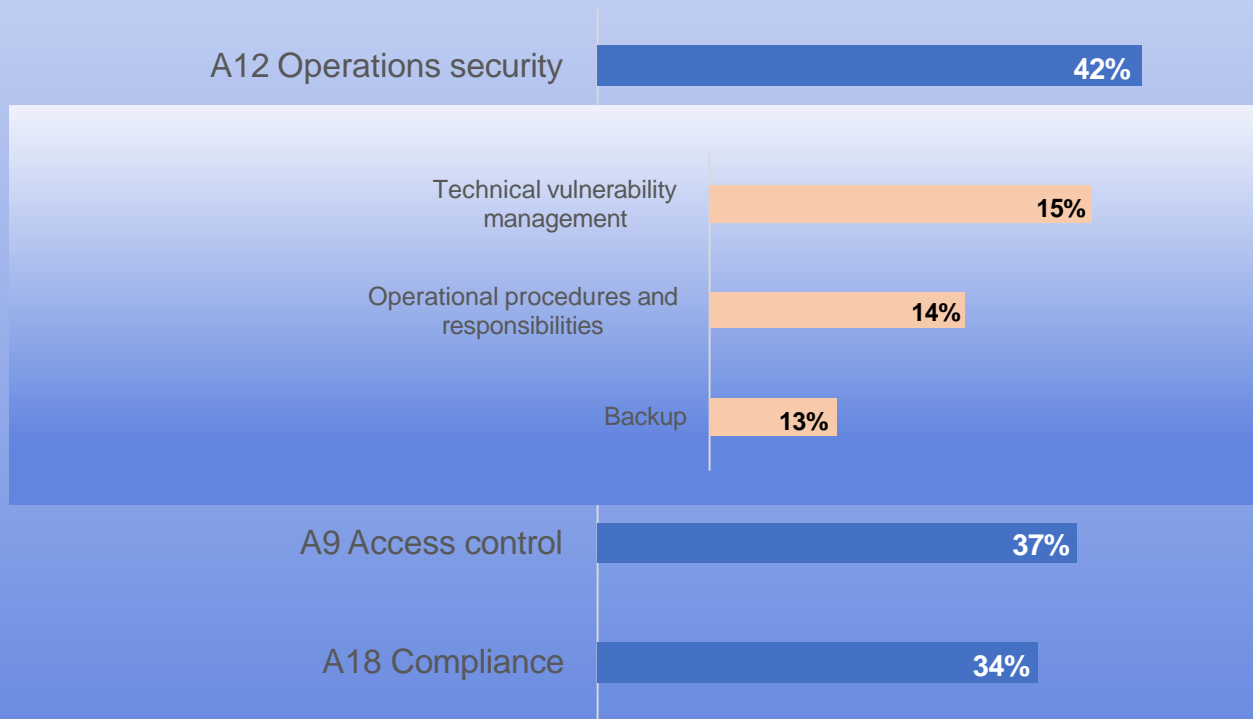
Lack of awareness among employees or poor organizational culture



Lack of legal competence/interpretation of legal requirements

Sources: Viewpoint & Espresso surveys (DNV)

Most common findings information security

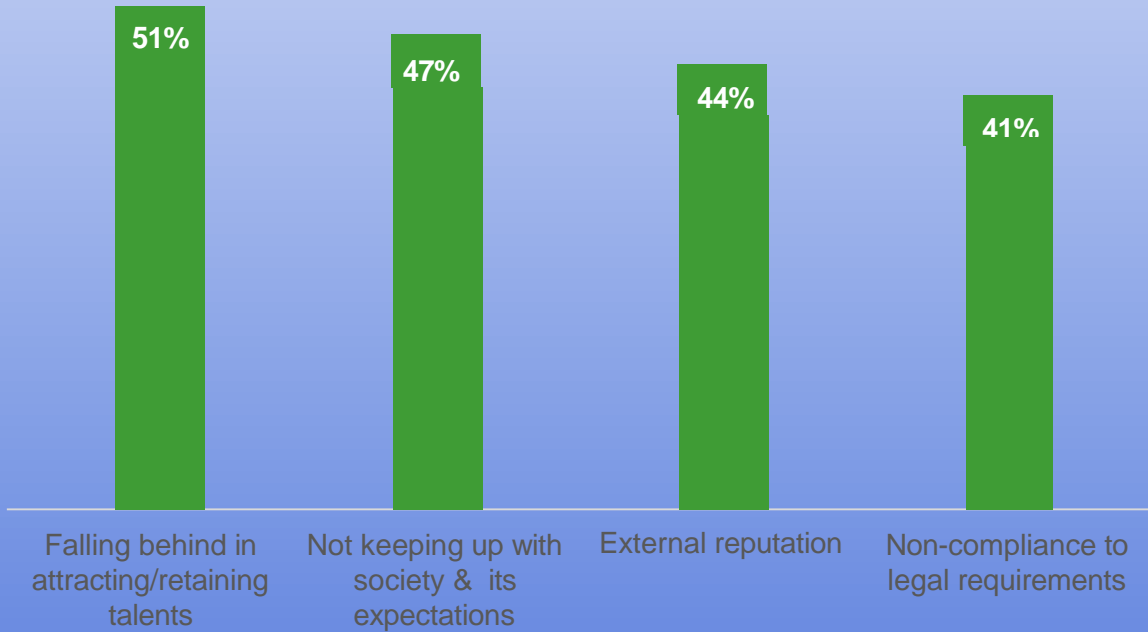


Source: Lumina (DNV)

- **Shift from technical infrastructure to employee behavior and training**

Diversity, equity & inclusion risks

Risk of doing nothing



Taking a systematic approach

ISO 30415:2021

Human resource management — Diversity and inclusion

Source: ViewPoint

**Do you *know* the
hidden risks?**



Summary

The Risk Reality with using Co-Manufacturing is more complex post covid and the issues are real



What do best-performers do?

- Spend adequate time during supplier approval phase to ensure technical capabilities and technical competency
- Develop robust communication channels and frequency
- Work very closely with Food Safety & Quality to develop sound expectations
- Collect data to measure and track
- Require GFSI Benchmarked standards
- Require ISO certifications

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Thank you for Joining!

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