

# UNIDO-AEON Group

Increasing safe and sustainable sourcing and strengthening business linkages

## THE CHALLENGE

Malaysian small-scale suppliers have difficulties to adequately respond to market requirements, especially in terms of quality, quantity, productivity and sustainability, which prevent them from seizing business opportunities with local, regional and global buyers. By developing the supply-side through SME clustering and upgrading, there will be an overall improvement of management, quality, safety, productivity and sustainability practices within the SMEs that, in turn, will positively impact their overall business, environmental and social performance. In addition, special attention needs to be paid to the integration of Corporate Social Responsibility (CSR) objectives with business objectives at enterprise, cluster and country level.

## THE RESPONSE

Based on its successful experiences with the METRO Group in Egypt, India and the Russian Federation, UNIDO is implementing a Sustainable Supplier Development Programme (SSDP) in Malaysia that aims to upgrade clusters of suppliers, focusing on food safety, quality, productivity, corporate social responsibility and sustainability. For the first time the programme covers both food safety and CSR/sustainability.

### Food safety component

In January 2013, 32 Malaysian experts, both independent individuals and those selected from partner institutions, were trained on the Basic Level of the GFSI Global Markets Programme (GMP) to become food safety trainers and assessors. They are now enabled to deliver related training and provide assessment and mentoring to local suppliers. The experts were chosen from within the University of Kebangsaan (UNIQEP), AEON, the Ministry of Health, the Standard and Industrial Research Institute of Malaysia (SIRIM) and the Business Department of Islamic Development (JAKIM). In addition, 12 individual experts also participated after being selected through a competitive process. UNIQEP lead the process of localizing the training modules and incorporating HALAL requirements followed by delivering the training, jointly with AEON, to the experts and suppliers. A cluster of 25 food processors, current and potential AEON suppliers, have undergone a series of training and mentoring sessions to effectively implement food safety systems in line with the Basic Level of the GFSI GMP, and later, Intermediate Level. Additional training in food safety for experts and suppliers is foreseen through an e-learning and classroom training module, in cooperation with the Michigan State University, funded by the World Bank. Following successful results, the project will also cover primary production.

### CSR/sustainability component

In June 2013, the component will kick-off with an awareness raising workshop on social, ethical and environmental aspects



#### BUSINESS PARTNER

AEON Group

#### WEBSITE

www.aeonretail.com.my

#### INDUSTRY

Retail

#### PARTNERSHIP OBJECTIVE

Facilitating the access of clusters of suppliers to profitable new market opportunities, thus increasing the availability of safe and sustainable products and improving livelihoods

#### EXPECTED RESULTS

- Capacity of local institutions and experts strengthened in terms of international food safety standards and requirements, sustainability and supply chain best practices
- 25 food processors have increased productivity and are upgraded to conform to international quality and safety standards and requirements
- 15 SMEs achieve higher level of productivity and sustainability through implementation of ethical, social and environmental international best practices
- CSR activities at community level implemented with AEON

#### OUTLOOK

- Roll-out plan to reach up to 100 SMEs (food and non-food suppliers)
- Expansion to cover primary production
- Malaysia is supported to become a hub for sustainable supplier development in the region

#### GEOGRAPHIC SCOPE

Malaysia, with possible roll-out to neighbouring countries

#### PARTNERSHIP CATEGORY

Core business and value chain partnerships

#### PROGRAMME PARTNERS

AEON Japan and Malaysia; Ministry of International Trade and Industry (MITI); Small and Medium Enterprise Corporation (SME Corp); University of Kebangsaan (UNIQEP)

#### CONTACT

Gerardo Pataconi

Business, Investment and Technology Services Branch  
email: G.Pataconi@unido.org

of CSR, involving local and regional stakeholders. Following the preparation phase, a cluster of up to 15 current and potential AEON suppliers, both food and non-food, will undergo a CSR capacity building programme and will receive continuous assessment and mentoring to improve their sustainability and productivity. In order to adjust it to international best practices, the training will be based on an upgraded version of UNIDO's Responsible Entrepreneurs Achievement Programme (REAP), including its monitoring software, done in partnership with the Global Social Compliance Programme (GSCP) by alignment with their reference tools for both environmental and social aspects. GSCP is a business-driven programme for the continuous improvement of working and environmental conditions in global supply chains, whose members are leading global private sector companies. The project will also advocate the importance of CSR and sustainability within communities and with authorities where AEON suppliers operate to ensure that they have an increased awareness for ethical, social and environmental sustainability.

### THE BENEFITS OF PARTNERING

Following the programme's completion, 40 current and potential AEON food and non-food suppliers will be upgraded in terms of food safety and quality through the application of the GFSI GMP, and in terms of social, ethical and environmental sustainability through the application of the REAP+ capacity building programme and will achieve an increase in productivity. By upgrading the supply capacity of local producers in partnership with a global retailer such as AEON, UNIDO will ensure that clusters of local suppliers establish sustainable business linkages with potential buyers and gain access to national and, at a later stage, international markets. As a direct consequence, the quality and volume of marketable products will improve and consumers will benefit from more sustainable and safer products, and can expect, as a result of the larger range of products available, more stable food prices. The programme has established strong partnership with national counterpart institutions and in particular with UNIQEP, which has been strengthened and has positioned itself as a main centre for building the capacity of suppliers in Malaysia, which will support the establishment of the country as a regional hub for supplier development. SME Corp., partnering with UNIDO



Meeting of the Localisation Task Force, January 2013

### AT A GLANCE:

- > **Duration:** August 2012 – February 2014
- > **Location:** Malaysia
- > **Budget:** US\$ 500,000 with additional in-kind contribution from AEON (US\$ 100,000)
- > **Donor:** Government of Japan and AEON; possible funding from the World Bank (US\$ 200,000)
- > **Other Programme Partners:** Ministry of Health (MoH); Ministry of Higher Education (MOHE); Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK); Halal Industry Development Corporation; Standard and Industrial Research Institute of Malaysia (SIRIM); Business Department of Islamic Development (JAKIM); Federation of Malaysia Manufacturers (FMM) and School of University of Northern Malaysia (UUM)

and AEON, will be able to share knowledge and know-how and will benefit from UNIDO's supplier development and upgrading tools, resulting in the upgrading of local suppliers through the application of capacity building programmes, in whose development UNIDO has been actively involved. Ultimately, the programme will benefit Malaysian SMEs and farmers as well as local communities and consumers.



Delivery of participation certificate to 25 AEON suppliers selected to take part in the food safety component of the programme