



## Case study

# Implementing food security risk management

Managing risk effectively is delivering competitive advantages to leading food organisations. Risk management expertise is helping them successfully adapt to climate variability, providing additional benefits such as lower costs, better marketing and more precise timing of their activities. By adapting to the extremes of present-day climate, organisations enhance their understanding of, and resilience to, future climate change.

The NCCARF-funded *Food Security, Risk Management and Climate Change* project looked at the impact of climate variability and change on food security and managing risk. Case studies revealed that precise timing of actions to invest and divest, completing scheduled activities and executing planned responses to extreme events were actions common to food organisations managing their exposure to climate risk and uncertainty. Read on to learn how leading food organisations are adapting to climate change and managing their risk.

Food organisations with risk management implementation expertise:

- demonstrate precise timing of actions to invest and divest, and
- execute planned responses to extreme events.

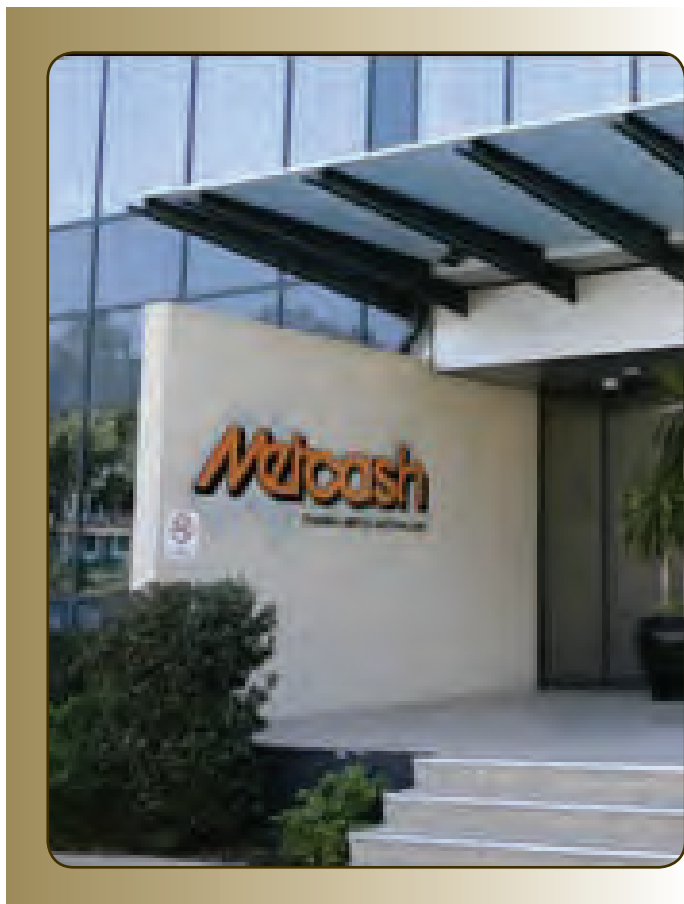
### Retail and Metcash

Originating in the 1920s as a family business, Metcash Ltd is Australia's leading wholesale distribution and marketing company specialising in grocery, fresh produce, liquor, hardware and other fast moving consumer goods.

#### Innovative climate response and adaptation measures

Since 2008, Metcash has implemented a plan to manage climate risks and integrated this Plan into their risk management program to deliver business, community and environmental benefits. The Plan identifies key climate risks for Metcash's business. Examples of the innovative measures implemented to account for climate risks include:

- mapping climate risk and highlighting the most likely impacts at Metcash's 102 worksites and key response measures being implemented;
- developing and testing site and business sector based Business Continuity Plans;
- investing in risk management software to ensure risks for all sites and business units are identified;
- building to Australian cyclone standards to ensure sites are resilient to increased frequency and intensity of severe storms, even in non-cyclone areas;
- installing renewable and back-up energy sources to ensure continued safe food provision during disaster situations, including investigating tri-generation systems for major distribution centres;
- building a new distribution centre which achieved a four star rating under the Green Star program's Industrial: Design and As Built category;
- working with the federal and state governments to ensure food distribution is included as a high priority for emergency fuel delivery in disaster situations.



## Managing risk at Metcash

The defining features of Metcash's Enterprise Risk Management (ERM) system are integration, collaboration and a binding requirement for risk management to add value. The ERM system is now the building block for the advanced risk management framework at Metcash. It conforms to the International Standard ISO 31000:2009 Principles and Guidelines on Implementation, which provides a standard on the implementation of risk management.

Metcash now include climate impacts as a 'business-as-usual' add-on to its ERM. This:

- provides Metcash with resilience and capacity to deal with extreme events such as the Queensland and New South Wales floods;
- creates value through lower costs for insurance premiums. Underwriting companies in London say the Metcash ERM is 'close to the best' in the world;
- reduces capital costs;
- increases revenue from strategically located investments in modern large scale warehouses.

Metcash's ERM has an advanced risk assessment system in place with support from their Group Risk Department and the Metcash Audit Risk and Compliance Committee at a Board level, with complete commitment from the Board, Executive and operations management staff.

All key employees with decision-making responsibilities have risk incorporated in the job specifications.

The ERM is now being extended to the Metcash sustainable supply chain policy with all business partners and suppliers now being assessed as part of the ERM.

## Ensuring food security as we adapt to a changing climate

While adaptation is an essential requirement for managing the impact of climate variability and change, it is equally important to recognise the risks associated with various activities and the way we adapt.

The food supply chain is a closely integrated supply chain. Each activity level depends closely on the next level for a market, supplier for raw materials or products. Precise timing of actions to invest and divest, completing scheduled activities and executing responses to extreme events is a defining feature of food organisations with risk management implementation expertise.

This document summarises key findings from the NCCARF report *Food Security, Risk Management and Climate Change*. The project was funded by NCCARF and led by David Michael of Wondu Business & Technology Services. To download the full report go to: <http://www.nccarf.edu.au/publications/food-security-risk-management-and-climate-change>

Metcash is rolling out energy saving packages to supermarkets including solar panel installations of the type shown below.



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