AIM-PROGRESS

Responsible Sourcing Journey

Update 2018

Introduction

Procurement is a powerful instrument for organizations wishing to behave in a responsible way and contribute to sustainable development and to the achievement of the United Nations Sustainable Development Goals (SDGs).
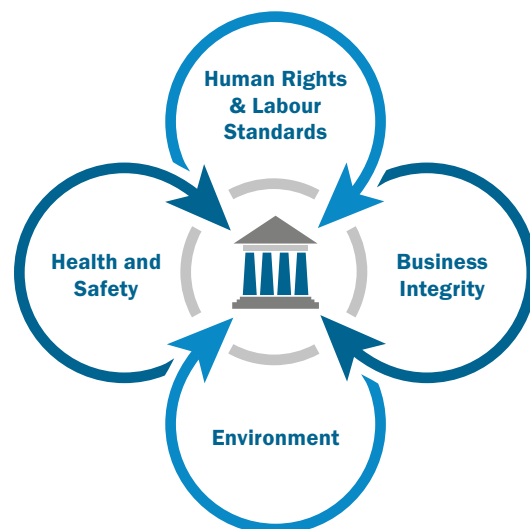
ISO 20400 :2017 introduction extract.

The AIM-PROGRESS Responsible Sourcing Journey (RSJ) provides guidance to help member companies accelerate the development and implementation of responsible sourcing practices that positively impact people's lives throughout their supply chains.

The RSJ enables companies to understand where they are on this journey and helps them identify and plan their future efforts more effectively.

This revised version of the RSJ provides an up-to-date and comprehensive description of the four pillars of responsible sourcing, integrating companies' compliance with the UN Guiding Principles on Business and Human Rights (UNGPs) and business contributions to the UN Sustainable Development Goals (SDGs).
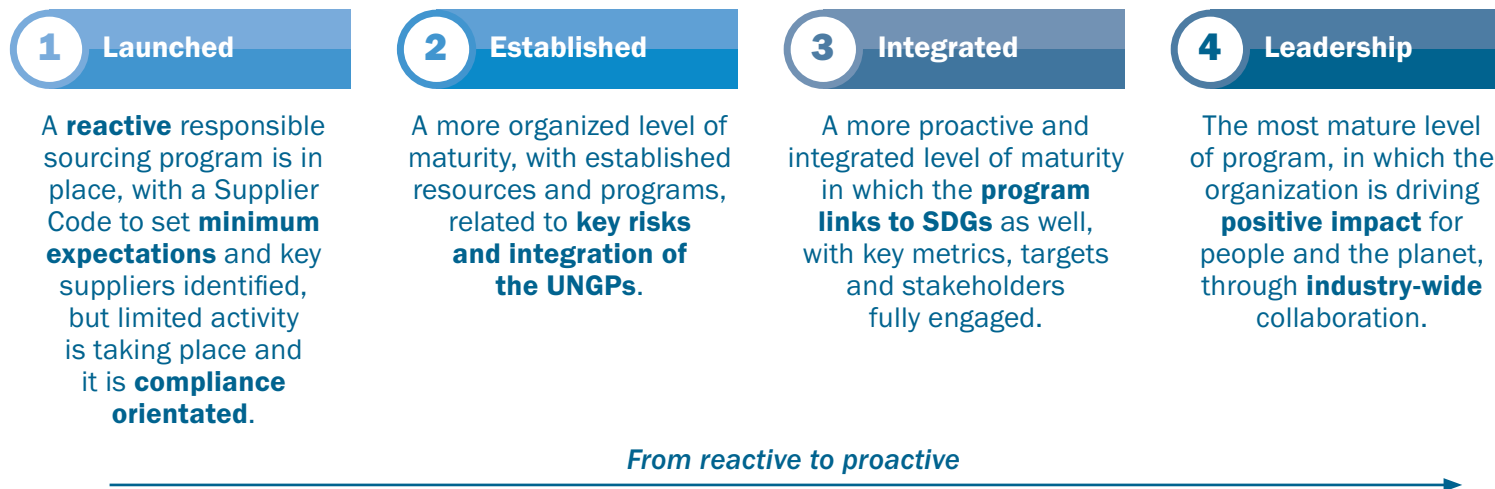
Four pillars
of responsible sourcing

- Human Rights & Labour Standards
- Business Integrity
- Environment
- Health and Safety

Contents

An evolutionary process

Responsible Sourcing Journey: An evolutionary process

1 Launched

A **reactive** responsible sourcing program is in place, with a Supplier Code to set **minimum expectations** and key suppliers identified, but limited activity is taking place and it is **compliance orientated**.

2 Established

A more organized level of maturity, with established resources and programs, related to **key risks and integration of the UNGPs**.

3 Integrated

A more proactive and integrated level of maturity in which the **program links to SDGs** as well, with key metrics, targets and stakeholders fully engaged.

4 Leadership

The most mature level of program, in which the organization is driving **positive impact** for people and the planet, through **industry-wide** collaboration.

From reactive to proactive →

The RSJ defines four maturity stages on the journey to responsible sourcing.

This document provides a modular framework to help companies evolve through the four stages of maturity in four key areas. It shows how strengthening activities in each of these areas (or modules) supports progress through the stages of maturity, and provides guidance on how to get started and how to build on existing efforts to achieve best practices.

It covers core elements of companies' responsible sourcing practices, and sets out key concepts and definitions in relation to the UNGPs and SDGs.

Responsible Sourcing Journey: The four modules

Module 1: Setting the tone
Start with a statement of policy or code of conduct reinforcing the company's commitment to source responsibly. This needs to be embedded throughout the organization through effective governance, internal stakeholder engagement and sourcing requirements.

Module 2: Implementing due diligence, grievance mechanisms and remediation processes
Assess how the company's activities and business relationships in the supply chain may impact people's lives to identify salient human rights issues and the most severe risks of negative impacts. Set strategic direction on how to manage risks and implement remediation actions.

Module 3: Monitoring and reporting progress
Track performance on responsible sourcing, including monitoring progress made by suppliers and other business partners, and being transparent with affected stakeholders and others.

Module 4: Engaging stakeholders
Engage stakeholders on responsible sourcing, listen to those who are negatively affected and take account of their perspectives in internal decision-making to provide remedy.

Integrating the UNGPs and SDGs

The UNGPs and SDGs are an essential part of responsible sourcing because a company's greatest impact on human rights or sustainable development may lie in its supply chain.

Responsible sourcing: Minimizing negative impacts –Maximizing positive impacts

Raw materials	Suppliers	Inbound logistics	Company operations	Distribution

UNGPs	• Assess risks and salient human rights issues • Leverage respect for human rights in supply chain partnerships • Provide access to remedy to affected stakeholders	SDGs	• Assess positive and negative impacts on SDGs in supply chain • Contribute to SDGs minimising negative impacts; maximising positive impacts

UN Guiding Principles on Business and Human Rights

UN Guiding Principles on Business and Human Rights provide a baseline expectation for companies when it comes to preventing and addressing harm to people. The UNGPs make clear that companies should have the following elements in place:

■ A statement of commitment to respect human rights, embedded throughout the organization – this may be a standalone human rights policy or integrated within a company's wider standards, such as employee codes of conduct, responsible sourcing standards or environment, health and safety guidelines

■ Human rights due diligence processes to: assess their actual and potential negative impacts on people; integrate the findings and take action to prevent or mitigate potential impacts; track their performance; communicate their performance; and conduct stakeholder engagement

■ Processes to provide or enable remedy to those harmed in the event that the company causes or contributes to a negative impact.

Sustainable Development Goals (SDGs)

The UN Sustainable Development Goals (SDGs), agreed in 2015, shape priorities and aspirations for sustainable development efforts around a common framework of 17 goals and 169 targets, with numerous indicators.

The SDG 8 'Decent work and economic growth' provides the most obvious link with the two pillars of responsible sourcing 'human rights and labour standards' and 'health and safety'. These three targets are most relevant to the work of AIM-PROGRESS:

8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

8.7 Eradicate forced labour, modern slavery, child labour and human trafficking

8.8 Protect labour rights and promote safe and secure working environments for all workers.

Since the SDGs are inherently interconnected, creation of decent work contributes to poverty reduction (Goal 1) and reducing inequalities (Goal 5 and 10) by promoting decent work and reducing unemployment. This in turn leads to better health, nutritional, and educational outcomes (Goal 3, 4 and 2). Finally, ensuring all-round prosperity and continual growth helps create the foundations for a more peaceful society (Goal 16).

SDGs with an environmental dimension are identified based on activities across a company's value chain, including greenhouse gas emissions (Goal 13) and terrestrial and oceanic ecosystems (Goal 14 and 15). Business leadership can also contribute to Goal 16 and the efforts to advance peace, justice, and strong institutions by identifying and taking robust action against corruption and bribery in own operations and the supply chain (target 16.5).

Responsible Sourcing Journey: Overview

	1 Launched	**2** Established	**3** Integrated	**4** Leadership
		In addition to Launched	In addition to Established	In addition to Integrated
Setting the tone More	We have a responsible sourcing policy and/or code of conduct (CoC) **setting minimum expectations** for our suppliers. We have obtained executive buy-in and have assigned a function to take the lead. We have defined a strategy and set **compliance targets**.	We have a responsible sourcing policy that **integrates UNGPs** and has been communicated externally. Our **sourcing staff incentives are aligned** with at least one objective related to responsible sourcing.	Our responsible sourcing approach is **linked to the SDGs**. We are addressing salient human rights issues. Governance of the program is at the highest level of the organization. Senior management is accountable for human rights risk management. **Sustainability goals are integrated** into performance reviews and remuneration schemes across the organization.	We have a strategy to contribute to the SDGs by integrating sustainability measurements and/or goals across the value chain. We are maximizing **positive impacts** for people and the planet. Responsible sourcing permeates from the board, CEO and the top leadership team to relevant business units and employees' roles.
Implementing due diligence, grievance mechanisms and remediation processes More	We have visibility of **Tier 1 vendors**. We have defined assessment processes. We have assessed and prioritized the risks in our supply chain related to the four pillars of responsible sourcing. We take immediate steps to **mitigate critical issues**.	We have identified the most salient human rights issues in our supply chain and are providing remediation. Our highest risk **supply chains are mapped** beyond Tier 1. We have a 3-5 year responsible sourcing plan in place, including targets and KPIs. We have introduced **grievance mechanisms** for our suppliers.	We have visibility of our highest risk supply chains all the way back to raw materials. We are **partnering** to improve supplier management systems and enhance suppliers' remediation capabilities. We are engaged with our business partners on transformative initiatives **beyond tier 1**. We encourage further extension of grievance mechanisms, such as introducing technological solutions to gather feedback directly from workers.	We have **full traceability** on the high impact/high risk supply chains We are operating proactively, maximizing positive impacts on communities. We are **driving change in our industry**, mentoring and sharing best practice. We are considering the impact of grievance mechanisms and the perspectives of marginalized and vulnerable groups such as women, children, indigenous peoples and migrant workers.
Monitoring and reporting progress More	We are reporting regularly on the **basic activities** of our program to relevant functions internally.	We monitor activities, outputs and **outcomes**. We report details of our program outcomes and findings both **internally and externally**.	We monitor activities and **impacts**. We **report transparently** on all aspects of our program. We work with independent third parties to provide external assurance of our reporting on responsible sourcing.	We work with an independent third party to monitor all **significant impacts**, whether positive or negative, related to our business activities and business relationships. We publish our goals for contributing to the SDGs and report progress towards these. We have formal reporting on human rights.
Engaging stakeholders More	We engage with our **Tier 1** suppliers. Our suppliers understand and acknowledge our expectations.	We are engaged with suppliers **beyond Tier 1**. We are actively engaged in multi-stakeholder initiatives to address issues collectively.	We engage with **external stakeholders** to define SDG priorities.	We are **collaborating widely** with governments, suppliers, civil society organizations and industry peers.

How to use the RSJ framework

The RSJ framework is not prescriptive. It is designed to help all companies assess their approach on responsible sourcing and decide how to improve their programs using a three-step process:

Step 1: Where you are
Use the AIM-PROGRESS Benchmarking Survey, or self-assessment, to understand how your company compares with peers in each of the four areas of activity set out in the RSJ (a company's maturity level may differ for each module).
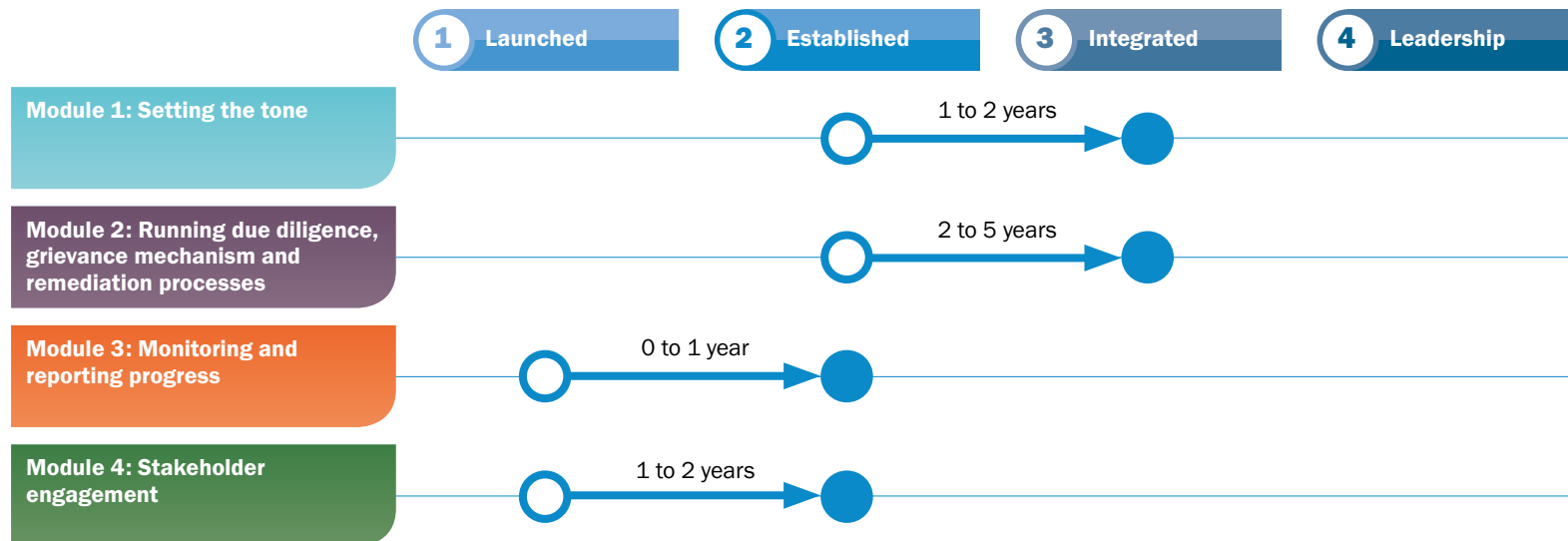
Step 2: Where you want to go
Define your goals and targets, and identify current gaps and opportunities for improvement.

Step 3: How to get there
Develop an improvement plan and determine how long it will take you to get to the next stage.

Responsible Sourcing improvement plan – illustration

	1 Launched	2 Established	3 Integrated	4 Leadership
Module 1: Setting the tone			○ 1 to 2 years ●	
Module 2: Running due diligence, grievance mechanism and remediation processes			○ 2 to 5 years ●	
Module 3: Monitoring and reporting progress	○ 0 to 1 year ●			
Module 4: Stakeholder engagement	○ 1 to 2 years ●			

The following pages set out the four stages of maturity for each module and offer relevant guidance tips. More details on how to use the RSJ are included in the self-assessment template.

Module 1: Setting the tone
Evolutionary process

	1 Launched	**2 Established** In addition to Launched	**3 Integrated** In addition to Established	**4 Leadership** In addition to Integrated
1.a: Policy	We have a responsible sourcing policy and/or code of conduct: • **setting minimum expectations** for our suppliers • covering the four pillars of responsible sourcing (human rights and labour standards, health and safety, environment, and business integrity) • aligning with peers and best in class.	Our responsible sourcing policy and/or code of conduct: • **integrates the UNGPs** and relevant international best practice • covers all procurement categories, such as raw materials, promotional items and packaging, services (such as transport, IT, cleaning, catering), own operations, joint ventures, property, sub-contracting, etc • is available publicly on our website.	Our human rights policy is complemented by an effective due diligence process. Our responsible sourcing approach is: • integrated within our company strategy • **linked to the SDGs**. • focused on scaling up and improving supplier capability and management systems. We are addressing salient human rights issues.	We have a strategy to **contribute to the SDGs** by integrating sustainability measurements and/or goals across the value chain. We are maximizing **positive impacts** for people and the planet.
1.b: Governance	We apply similar requirements to ourselves and our suppliers We have obtained executive buy-in with • an assigned function to take the lead • initial resources allocated (people and budget) We have defined a strategy and set company **compliance targets.** We have trained procurement and relevant staff.	We have the appropriate resources (people and budget) in place to manage responsible sourcing workload. Our **sourcing staff incentives are aligned** with at least one goal related to responsible sourcing.	Governance is at the highest level of the organization. Our senior management is accountable for human rights risk management. There is cross functional coordination to ensure responsible sourcing is integrated into relevant facets of the business. **Sustainability goals are integrated** into performance reviews and remuneration schemes across our organization.	Responsible sourcing is a top priority for the board, the CEO and the top leadership team. Responsible sourcing is part of relevant business units and employees' roles. There are **incentives for the board, the CEO and the top leadership team** reflecting the specific role that functions have in achieving relevant sustainability goals.
1.c: Internal stakeholder engagement	We engage with relevant functions to ensure: • **commitment and buy-in for a responsible sourcing program** • development of a code of conduct and dissemination to suppliers and stakeholders • training about company policy • resources for responsible sourcing.	We engage with internal stakeholders to define our salient human rights issues. We regularly update internal stakeholders to keep them **informed about responsible sourcing goals or metrics.** We regularly report to the Board and Executive teams.	We engage with internal stakeholders to define our SDG priorities. We have close relationships with commercial teams to ensure **responsible sourcing is integrated into every facet of the business.** We report regularly on KPIs and supply chain mapping.	We are engaged with executives to ensure our **responsible sourcing program is fully aligned with our business strategy and goals.** Our Board and the CEO receive regular information about responsible sourcing impacts (such as value creation, additional turnover, new development associated with responsibly sourced products and/or services).
1.d: Sourcing requirements	We consider sustainability in our broader evaluation of suppliers. Our responsible sourcing approach **is explained** to our suppliers.	Performance metrics on responsible sourcing **are presented alongside commercial metrics** for suppliers.	Our suppliers' performance is graded with appropriate/adequate weighting of responsible sourcing metrics against commercial performance. Suppliers' sustainability and responsible sourcing programs **are an integral part of procurement decisions.**	We have **clauses/requirements in our sourcing contracts/specifications** integrating compliance criteria with our responsible sourcing policy/goals/requirements.

Module 1: Setting the tone
Guidance tips

Involving senior management

- The 'tone at the top' set by senior management is critical to ensuring the business takes responsible sourcing seriously so the process of developing the policy statement must be driven by senior management from the start.

- Top management can demonstrate that leadership in responsible sourcing is a priority for the company through their speeches and messages, corporate communications and personal conversations (for example, between the CEO and the leadership team when considering a specific business issue).

Involving internal stakeholders in the process

It is particularly important to engage with internal stakeholders who will be expected to implement the policy to ensure that responsible sourcing (a potentially abstract concept) is translated into 'business speak' and everyone inside the company understands how it is relevant to their work. This can provide reassurance that it will be accepted as a credible commitment and generate greater buy-in once it is formally adopted. Functions likely to be involved during this process include:

- CSR/Sustainability teams to bring expertise on the company's broader sustainability commitments

- Legal/Compliance to review the policy in light of company's legal obligations

- Senior management to support and formally approve policy

- Communications to help ensure effective translation into business language within the company, as well as supporting external communication once adopted.

Communicating the policy

After approval, the policy should be clearly communicated to relevant staff and external business partners and stakeholders – both those who are expected to implement it (for example, the company's contractors and suppliers) and those who have a direct interest in its implementation (for example, potentially affected communities, investors, consumers and civil society organizations). Consider a dedicated Responsible sourcing/Suppliers/Human Rights day where a special message is shared with stakeholders to publicize the policy, emphasize the company's commitment and highlight the company's progress on responsible sourcing/UNGPs/SDGs.

Assigning responsibility for responsible sourcing

- Initially, a single function or department may need to take the lead in kick-starting the process. Corporate functions such as procurement, human resources and sales will also need to be involved to ensure cross-functional support for the embedding process.

- Reward and recognition systems should be expanded to include respect for responsible sourcing. For example, an incentive system may include at least one goal related to responsible sourcing as part of the framework against which relevant employees are evaluated and bonuses can be linked with associated achievements.

- Rewards and recognition are also important to recognize suppliers' compliance and encourage them to improve.

Training key staff

Tailored training should be provided for staff who may encounter responsible sourcing dilemmas (for example, procurement personnel, who are often dealing with business pressures related to price and delivery time as well as social performance, could be trained on their dialogue/relationship with suppliers). Training should be reviewed regularly to assess if it is effective.

Module 2: Implementing due diligence, grievance mechanisms and remediation
Evolutionary process

	1 Launched	2 Established	3 Integrated	4 Leadership
		In addition to Launched	In addition to Established	In addition to Integrated
2.a: Materiality/Risk identification	We have done a materiality assessment and identified **risks in our supply chain** relating to the four pillars of responsible sourcing (human rights and labour standards, health and safety, environment and business integrity). Our high-risk procurement categories are monitored.	Our materiality assessment applies the lens of risk to people as the starting point to identify human rights risks that could result in the most severe negative impacts through the company's activities or business relationships. We have identified the **most salient human rights issues in our supply chain** and are providing remediation.	We have assessment and prioritization processes that identify areas with **negative or positive impacts on the SDGs**. Our materiality assessment processes are taking account of external risk factors that affect sourcing, including political, economic, social and technological risks (PEST analysis) and the perspectives of potentially affected stakeholders or credible proxies such as local NGOs.	We are operating proactively, maximizing positive impacts on communities and the SDGs. Responsible sourcing is now part of **shared value creation** and this is reflected in company performance.
2.b: Supplier assessments	We have **visibility of Tier 1 vendors** and have identified suppliers in scope for responsible sourcing. We have defined an **assessment process** that includes different instruments based on risk materiality criteria such as supplier self-assessment, remote assessment and on-site audit. Tier 1 vendor assessments are completed for our high-risk procurement categories.	Our highest risk supply chains are **mapped beyond Tier 1**. Responsible sourcing covers all procurement categories (not just raw materials, promotional items and packaging, but also services, our own operations, joint ventures, property, subcontracting, etc.) We have a **3-5 years responsible sourcing plan** in place, including targets and KPIs.	We have **visibility of our highest risk supply chains** all the way back to raw materials and we demonstrate transparency externally. We are moving beyond third-party assessment and/or audits, from policing to **partnering to enhance suppliers' capabilities** related to remediation and to improve supplier management systems.	We have **full traceability on the high impact/high risk supply chains** – from the supply base and inbound logistics to potentially affected stakeholders. We position **supplier partnering as part of continuous improvement and business building**.
2.c: Grievance mechanisms	We have set up **grievance mechanisms for our own employees** and management.	We have introduced **grievance mechanisms for our suppliers**.	We encourage further **extension of grievance mechanisms to cover workers** in our supply chains. We are using technological solutions to gather feedback directly from workers to identify the issues that they are facing.	We are considering the impact of the **grievance mechanisms and perspectives of marginalized and vulnerable groups** such as women, children, indigenous peoples and migrant workers.
2.d: Remediation	We take **immediate steps** to mitigate critical issues.	We take the **necessary actions with our suppliers to close out deviations** and develop mitigation plans for critical issues and salient human rights issues. We work collaboratively with our suppliers and our peers to build capability and to develop improvement plans for common issues through training and education.	We are engaged with our business partners (suppliers, peers and clients) on **transformative initiatives beyond tier 1** in our supply chain, improving practices and increasing transparency in the entire supply chain.	We have adopted **innovative approaches with scalable and sustainable programs across the whole supply chain**. We have found innovative solutions to systemic issues, such as the living wage and modern slavery. We are driving change in our industry through active investment in knowledge sharing, peer education, mentoring and sharing best practice.

Module 2: Implementing due diligence, grievance mechanisms and remediation
Guidance tips

Assessing and prioritizing impacts

- Start with desk research to identify the risks in supply chains in particular countries and/or sectors relevant to the company's operations. Besides publicly available information, companies may also gain useful insights from other sources, such as self-assessments by suppliers and third party audit reports.

- Define assessment processes and types according to the level of risks/impacts or opportunity. For example, an unknown supply chain could be first assessed using supplier self-assessment or remote third-party assessment, then third party verification on the ground should be carried out in cases where high risks have been identified.

- Typical risk management processes are based on both the likelihood of the risk occurring and on the potential severity of impact on people. Potentially severe impacts on people should always be prioritized.

- Assessment processes must take adequate account of the perspectives of individuals or groups who could be impacted – what the UNGPs call 'potentially affected stakeholders' by consulting them or 'credible proxies', such as local NGOs who work with affected stakeholders and have direct insights into their perspectives.

- Most companies can be involved with many potential impacts and, due to legitimate resource constraints, will need to decide which ones to focus on first. The UNGPs recognize this reality in Principle 24: companies prioritize attention and action by focusing on those issues that present the greatest severity of harm to people.

Taking full advantage of grievance mechanisms

A grievance mechanism is an active procedure to facilitate the identification of grievances and address them as early as possible. It must be known to, and trusted by, those stakeholders for whom it is intended

Taking the necessary actions

- The remediation process is about taking the necessary actions to prevent and mitigate negative impact in the supply chain that the company contributes to, or may contribute to.

- Companies are expected to use leverage with third parties and business relationships to effectively change practices by a supplier, contractor or business partner that could cause harm to people – for example, through commercial leverage, multi-stakeholder collaboration, training or resources for suppliers.

Typical grievance mechanisms

Accessible to	Examples	Types of issues
All employees/ external parties	Hotline or whistleblowing procedure	Typically, fraud and corruption, broader ethics issues
Employees	Complaints procedure or 'persons of trust' network	Related to staff interaction (for example, harassment, intimidation)
Suppliers and their workforce	Speak-up hotline included in code of conduct	Related to business and working conditions
Customers	Customer support and complaints	Complaints related to quality or service issues
Neighbors	Phone number or neighborhood council	Pollution, noise, smell
Local community	Operational-level grievance mechanism, community liaison officers	Impact on livelihoods, pollution, distribution of benefits

Module 3: Monitoring and reporting progress
Evolutionary process

	1 Launched	**2** Established	**3** Integrated	**4** Leadership
		In addition to Launched	In addition to Established	In addition to Integrated
3.a: Monitoring	We monitor **activities and outputs,** such as: *for our own operations* • resources (personnel, budget) • awareness raising activities • training on responsible sourcing policy and/or code of conduct *for our supply chain* • suppliers in scope • high-risk suppliers • suppliers that have signed/understood code of conduct • supplier assessments (planned and carried out) • supplier assessments by type (self-assessment, remote assessment, on site assessment) and by level of risk (low, medium, high).	We monitor activities, outputs and outcomes, such as: *for our own operations* • implementation of 3-5 year responsible sourcing plan • capacity development projects • grievances from our own employees for our supply chain *for our supply chain* • traceability beyond Tier 1 • suppliers' compliance status • deviations by type • deviations closed out • remediation actions for critical issues • suppliers engaged in capacity development programs • implementation of improvement plans • grievances from suppliers.	We monitor **activities, outputs, outcomes and impacts,** such as: *for our own operations* • human rights policy implementation • salient human rights issues identified • link to SDGs *for our supply chain* • supply chains mapped to the origin • risks reduced • deviations reduced • capability building projects at supplier sites • impacts on people (such as lost time accidents, absenteeism, turnover, working hours, living wage) • impacts on the environment (such as energy, emissions, water and waste) • grievances from workers at suppliers' sites/scores in worker engagement surveys/worker voice survey • grievances from potentially affected stakeholders or credible proxies such as NGOs.	We monitor all the **significant impacts, whether positive or negative,** related to our business activities and business relationships: *for our own operations* • salient human rights issues addressed • contribution to SDGs • value generated (such as % turnover linked to responsibly sourced items, number of new developments/products launched with responsibly sourced components) • responsibly sourced materials (volume and/or spend in absolute values and/or %) *within our supply chain* • suppliers moving to best in class in responsible sourcing with long term scalable programs • shared value for supply base (such as reward schemes, supplier partnership awards, long-term partnership programs/funding, benefit sharing, innovation).
3.b: Reporting	We are reporting regularly (at least annually) on basic aspects of our program **internally to relevant functions**. Where regulation requires us to report externally, we comply with these requirements.	We report details of our program activities and findings (governance, processes, stakeholders perspectives and KPIs) . We report regularly • internally to our Board and Executive teams • **externally to our suppliers** and publicly using communication channels such as our sustainability report and our website.	We report **transparently on all aspects of our program**. We have formal reporting on the four pillars of responsible sourcing (human rights and labour standards, health and safety, environment and business integrity). We work with independent third parties to provide external assurance on our responsible sourcing reporting.	We report on salient human rights issues and our contribution to the SDGs. We are using **proactive communication with affected stakeholders,** or credible proxies such as NGOs, to demonstrate the effectiveness of our actions.

Module 3: Monitoring and reporting progress
Guidance tips

Developing company-specific indicators

When developing company-specific indicators, companies can use several types of information to track and report on their responsible sourcing program: inputs, activities, outputs, outcomes and impacts.
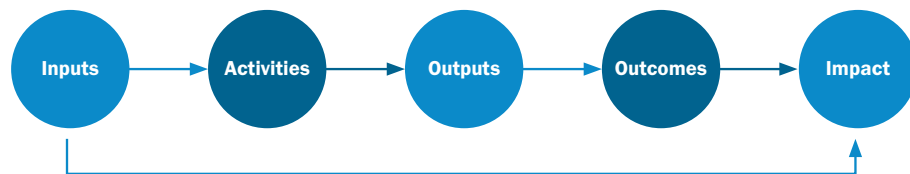

	Description	Examples
Inputs	What resources go in that contribute to the responsible sourcing program?	• Budget • Employee resource (full time equivalents)
Activities	What processes does the company have in place to carry out responsible sourcing due diligence and provide remedy?	• Description of supplier audit/assessment program • Description of grievance mechanisms • Description of human rights training for employees
Outputs	What are the results of the due diligence process? What is generated through those activities?	• Number of suppliers assessed/audited • Spend covered • Compliance status
Outcomes	What changes occurred in the target population?	• Action plans • Deviations closed out • Wage levels • Better access to essential services • Infrastructure improvements
Impact	What are the changes as a result of those outputs? How do they contribute to the SDGs?	• Business impact indicators mapped against the (SDGs)

Tracking and verifying performance

■ Supply chain monitoring programs usually involve standards, a supplier code and/or responsible sourcing policy, and assessments (remote or on the ground, done by the company, the supplier or a third party) covering corporate, country, site or products.

■ Identify the most appropriate assessment type based on the impacts, risks and opportunities. Assessments can provide important snapshots in time to identify how to improve supplier performance, but they have limitations and can be undermined if suppliers lack capacity to meet standards in practice. Capability building and long-term partnerships can help suppliers improve and enhance business relationships.

■ Guidance on how to track human rights impacts has been limited to date (with the exception of health and safety). Innovative initiatives, such as those seeking feedback directly from workers, can enhance transparency, improve a company's ability to identify the issues that workers are facing, and support a focus on remediation, prevention and best practices.

■ Companies may work with external parties, such as assurance providers, NGOs, or multi-stakeholder and industry organizations, to verify human rights performance.

Communicating about a company's responsible sourcing program

■ In many regions, legislation requires companies to report on their non-financial performance (including in relation to responsible sourcing, human rights, due diligence and environmental impacts), providing synergies between compliance and the responsible sourcing journey.

■ The UN Guiding Principles Reporting Framework provides guidance on reporting about governance of respect for human rights, defining a focus of reporting and management of salient human rights issues, with eight overarching questions – which, together with the identification of salient issues, is the minimum requirement to use the framework – and an additional 23 supporting questions. Companies should be able, over time, to address these supporting questions more fully and deeply, leading to more robust reporting overall.

■ Cross references are provided to other reporting frameworks, such as the Global Reporting Initiative (GRI), the UN Global Compact's Communication on Progress or the International Integrated Reporting Framework. These provide helpful starting points for reporting on salient human rights issues, in line with the UNGPs.

■ The company should demonstrate the effectiveness of its efforts through proactive communication with affected stakeholders, such as workers, end-users and communities.

Module 4: Engaging stakeholders

Evolutionary process

4.a: Engaging stakeholders	**1** Launched	**2** Established	**3** Integrated	**4** Leadership
		In addition to Launched	In addition to Established	In addition to Integrated
	We are **engaged with our Tier 1 suppliers**. Our suppliers understand and acknowledge our expectations. We have identified a third-party partner to run remote assessment and/or on-site audits. We have identified a collaborative platform to share assessment data and avoid duplication of effort for our suppliers. We **engage with industry peers and AIM-PROGRESS** to keep abreast of industry international best practice.	We are **engaged with suppliers (Tier 1 and beyond)** to support buy-in to our responsible sourcing policy, capacity building and training. We engage with our external stakeholders to help us identify salient human rights issues. We provide feedback on how their inputs have been considered. We are **actively engaged in multi-stakeholder initiatives** to share best practice and to collectively address issues.	We are **engaged with our supply base** on both key risks and opportunities to support participation, engagement and alignment in providing guidance/training and best practices for industry peers. We engage with our external stakeholders to define SDG priorities. We engage in **dialogue with affected stakeholders or credible proxies** such as NGOs/campaigners, invite critical review of our responsible sourcing program to support improvement and provide feedback on how their inputs have been considered.	We are **engaged with our suppliers as partners** for positive social impacts and business success. We are collaborating with governments, suppliers, civil society organizations and industry peers to share knowledge and best practice, and support developments to contribute to the SDGs. We are **committed to multi-stakeholder activities on transformative practices** and increasing transparency in the entire supply chain.

Guidance tips

Conducting meaningful stakeholder engagement

- Engagement helps to build a relationship based on trust between the company and affected stakeholders. It means listening to affected stakeholders' perspectives on the impacts associated with the company's activities, hearing their experiences and ideas, and taking account of their perspectives in internal decision-making.

- Direct engagement can be organized through workers' committees, community dialogues, round-tables, face-to-face meetings and grievance mechanisms. It is always important for the company to provide feedback to stakeholders on how their inputs have been taken into account to help show that the company took their input seriously.

Engaging with relevant stakeholders

In the context of the UNGPs, there are three groups of relevant stakeholders:

- **Potentially affected stakeholders** and their legitimate representatives, such as employees, contract workers, workers in the supply chain, smallholder farmers and their families, members of the community around a business facility or site, consumers or end-users. Stakeholder engagement should be inclusive with due concern for the perspectives of marginalized and vulnerable groups such as women, children, indigenous peoples and migrant workers.

- **Credible proxies** for the views of affected stakeholders, which can include development and human rights NGOs, international trade unions and local civil society organizations.

- **Human rights experts** who can bring knowledge or expertise that the company needs to effectively manage human rights.

Definitions

Business relationship: Business relationships refer to those relationships a business enterprise has with its business partners, entities in its value chain and any other non-state or state entity directly linked to its business operations, products or services. These include indirect business relationships in the value chain, beyond the first tier, and minority as well as majority shareholding positions in joint ventures.

Due diligence: A process through which organizations proactively identify, assess, prevent, mitigate and account for how they address their actual and potential adverse human rights impacts as an integral part of decision-making and risk management.

Internationally recognized human rights standards and principles: The UNGPs make clear that the International Bill of Human Rights and the International Labour Organization (ILO) Declaration provide the basic reference points for businesses in understanding what human rights are, how their own activities and business relationships may affect them, and how to ensure that they prevent or mitigate the risk of negative impacts on people. The 1948 Universal Declaration of Human Rights, drawn up by representatives from many nations to prevent a recurrence of the atrocities of the Second World War, is the cornerstone of modern human rights law. At the World Conference on Human Rights in Vienna in 1993, all 171 participating countries reaffirmed their commitment to the

aspirations expressed in that document. Together with the International Covenant on Civil and Political Rights of 1966 and the International Covenant on Economic, Social and Cultural Rights ratified by over 150 states in 1966, these three documents are known as the 'International Bill of Human Rights'. Regarding workers' human rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work commits all its member states to four categories of principles and rights: freedom of association and the right to collective bargaining; the elimination of compulsory labour; the abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

Procurement: The activity of acquiring goods or services from suppliers – from the identification of sourcing needs, to the end of life of goods or the end of a services contract.

Remediation: The process of providing remedy for a negative human rights impact and to the substantive outcomes that can counteract, or make good, the negative impact. These outcomes may take a range of forms such as apologies, restitution, rehabilitation, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

Salient human rights issues: Those human rights that are at risk of the most severe negative impacts through a company's activities or business relationships. The concept of salience uses the lens of risk to people, not the business, as the starting point. Identifying a company's salient human rights issues is the first step of human rights due diligence under the UNGPs.

Sourcing: Part of the procurement process that includes planning, defining specifications and selecting suppliers.

Stakeholder engagement or consultation: An ongoing process of interaction and dialogue between an enterprise and its potentially affected stakeholders that enables the enterprise to hear, understand and respond to their interests and concerns, including through collaborative approaches.

Supply chain mapping: Identifying and locating the stages and movement of goods or services from raw materials to end customer. Supply chains can be mapped in a conceptual way, showing each tier or stage in a supply chain diagram, or in geographic map format.

Supply chain visibility: A generic term referring to the level of information known about suppliers and their business and sustainability practices.

Traceability: The registering and tracking of parts, processes and materials used in production by lot or serial number.

Sources:

UN Guiding Principles Glossary

The Corporate Responsibility to Respect Human Rights – Interpretative guide

ISO 20400: 2017 definitions

CSCMP Supply Chain Management Definitions and Glossary

Further information

Module 1: Setting the tone

'How to Develop a Human Rights Policy' guide by the Office of the UN High Commissioner for Human Rights and the UN Global Compact

List of company human rights policies

The corporate responsibility to respect human rights – Interpretative guide

SDG compass

Module 2: Implementing due diligence, grievance mechanisms and remediation processes

Danish Institute for Human Rights 'Human Rights Compliance Assessment'

SIA hub 'Guidance for assessing and managing the social impacts of projects'

Nestle Experience Assessing Human Rights Impacts in its Business Activities

Oxfam Community-Based Human Rights Impact Assessment Initiative

Human Rights Impact Assessment Guide

Shift, 'Business and Human Rights Impacts: Identifying and Prioritizing Human Rights Risks'

UN Global Compact and Verisk Maplecroft, Human Rights and Business Dilemmas Forum

Shift, 'Remediation, Grievance Mechanisms and the Corporate Responsibility to Respect Human Rights', 2014

Harvard Kennedy School Corporate Responsibility Initiative, 'Rights- Compatible Grievance Mechanisms: A Guidance Tool for Companies and their Stakeholders', 2008

ACCESS Facility – grievance mechanism database

Module 3: Monitoring and reporting progress

The UN Guiding Principles Reporting Framework

Danish Institute for Human Rights 'Human Rights Compliance Assessment'

Cross references UN GP with other initiatives

Module 4: Engaging stakeholders

IFC, 'Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets', 2007

Oxfam Australia, 'Guide to Free, Prior and Informed Consent', 2014

Sustainable Development Goals (SDGs)

Ethical trade and the SDGs

UNGC Blueprint for Business Leadership on the SDGs

For more information on AIM-PROGRESS, visit our website at www.aim-progress.com