

# AIM PROGRESS - Responsible Sourcing Journey (RSJ)

## About the Responsible Sourcing Journey

The RSJ was developed to support FMCG brand manufacturers and suppliers along their development journey. The RSJ is not meant to be a manual on how to set up and run a successful Responsible Sourcing program, but a tool to benchmark where companies are along their journey and to offer some guiding points on how one could move forward. This tool is intended to be used alongside the future **Assessment Tool** that, through a series of questions, will help identify where a company is along their own responsible sourcing program, and the future **RS Resource Library**, which will provide an easy to use library of learning resources (tools, templates, training courses, videos, webinars, useful documents, etc.) to support companies along their journey. The RS Resource Library will be linked to the five (5) stages of the RSJ.

This RSJ tool is intended for both buyers and suppliers, on the principle that suppliers have a supply base and hence a responsible sourcing journey to follow too. However, as not all companies are the same, it is understood that some detail in the RSJ below may not be directly applicable.

## How to move along the journey

The RSJ has **two PHASES**, within each PHASE, there are a number of different stages in the journey. However, as all companies are different in size, geographical location, supplier base, category, etc. it is possible that;

- you may be at different levels of the journey for different areas of your business, and
- you may be working in PHASE 1, and at the same time be working on some activities in PHASE 2

The responsible sourcing journey is an **evolutionary process**. More information on each step can be found in Fig 1.2 below.

**PHASE 1:** Companies **demonstrate commitment** to a responsible sourcing program and the mindset is focused on **risk, remediation and assessment**



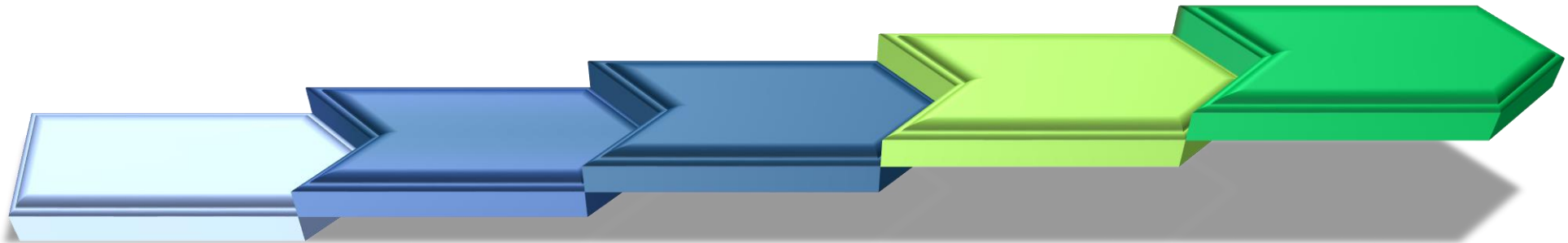
**PHASE 2:** Companies **show leadership** through their responsible sourcing program and the mindset is focused on **prevention, opportunity, value generation, & driving impact**



Within each phase the tool provides information on the following areas;

- Scope & Activities
- Measurements
- Stakeholder Engagement
- Outputs
- Capabilities
- Business Benefits

## Responsible Sourcing Journey (fig 1.2)



### 1 Early

At this stage you have understood the full scope of a Responsible Sourcing (RS) audit system, have **defined your vision** and developed a **Supplier Code of conduct (CoC)**. You will have communicated to **key stakeholders**, obtained **executive buy-in** and have initial budget allocated. You have a **pilot audit program**, understand **basic risk areas** and how to work with suppliers to close non compliances.

### 2 Launched

At this stage you have **identified Tier 1 suppliers in scope**, you have a **developed audit process**, and **have identified high risk 'hotspots'** and areas for further development. You have an **updated Supplier CoC** and have **set targets for where you would like to be in the future**. You are working closely with suppliers to **close out NC's and develop plans for critical issues**. You are securing further buy-in internally, **building your RS team** and initiating **internal training on RS**.

### 3 Mature

At this level you have a **well 'oiled' RS auditing program**. You are successfully **managing risk** in the supply chain and ensuring compliance to your CoC for you T1 suppliers and you are starting to engage suppliers beyond Tier 1. You are starting to **think holistically about RS across your entire business operations**. You are starting to **work collaboratively with your peers** and ready to receive feedback by external third parties (NGOs, Campaigners, etc.) on how you could improve. You are also looking deeper, **considering global and macro risk factors** that could affect your supply chain.

### 4 Integrated

You have now changed mindset, evolving from measuring risk factors and remediating issues to a more **proactive approach, investing in prevention, opportunity, and innovation**. You are interested in the **impact of your work** rather than just compliance with Supplier CoC. You can **demonstrate the business case** for change and are **integrating RS into 'business as usual'** instead of a separate CSR business function.

### 5 Leading

At this stage you are able to clearly see **value generation and growth through responsibly sourced materials and services**. You are **operating proactively**, moving beyond audits, **dealing with root causes and improving systems**. You have a **transparent view of your supply chain** and proven processes to **show positive impact at scale, not only to workers but to communities in your supply chain**. You are **creating great jobs** and have a **positive impact on communities**. You are a **leader in RS**, driving change in the industry, mentoring and sharing best practice.

# The Responsible Sourcing Journey Matrix

RSJ	PHASE 1 - DEMONSTRATE COMMITMENT Mindset is focused on RISK, REMEDIATE & ASSESS			PHASE 2 - SHOW LEADERSHIP Mindset is focused on PREVENTION, OPPORTUNITY, VALUE GENERATION & is IMPACT DRIVEN	
	1 Early	2 Launched	3 Mature	4 Integrated	5 Leading
<b>Scope &amp; Activities</b>	<p>A supplier CoC and purchasing policy/standards</p> <p>Initial resources available; people and/or budgets</p> <p>Early benchmarking against peers completed</p> <p>Early risk assessment, prioritization of spend categories (materiality assessment)</p> <p>High risk procurement categories identified</p> <p>Buying, sourcing and merchant departments are trained in CoC and consequences of non-compliance</p> <p>Audit protocol/methodology defined and pilot audit program in place</p> <p>Service Level Agreement and parameters of engagement with an audit partner/s in place</p> <p>Membership of industry collaboration group and attendance at meetings</p>	<p>Updated CoC taking into account legal and input from internal executive level</p> <p>Audit plan completed for up to 100 suppliers</p> <p>Risk assessment tool used to identify "hot spots" in supply chain</p> <p>Tier 1 production sites in scope has been identified</p> <p>Analysis and awareness of trends and key issues</p> <p>Individually close off non-compliances with suppliers</p> <p>Assist suppliers with developing mitigation plans to tackle critical issues</p> <p>Use of basic supplier 'scorecards', measuring RS alongside commercial metrics</p> <p>Set targets to broaden scope of RS program over time</p> <p>Benchmark internally with peers and best in class</p> <p>Review RS team resources alongside ambition</p> <p>Report internally - program activity and data</p> <p>Audit data uploaded onto a sharing platform (e.g. Sedex)</p>	<p>Updated CoC taking into account UNGPs and relevant international best practice and external peers</p> <p>RS covers all procurement not just raw materials and packaging, (services, own operations, joint ventures, property, etc)</p> <p>Assessments solutions are in place for non-manufacturing sites.</p> <p>Review of external risk factors that affect sourcing; PEST analysis (Political, Economic, Social &amp; Technological risks)</p> <p>Pilot phase for suppliers capacity development and training to improve compliance across common issues</p> <p>Working with more suppliers at pace to drive further improvements</p> <p>Due diligence against the audit program; review audit methods, quality and competence, cost analysis of data, etc</p> <p>Internal and external reporting of audit findings, documenting improvement made and goals set</p> <p>Dedicated RS teams in place to manage workload</p> <p>Training better buying practices</p> <p>RS data is presented alongside commercial metrics with suppliers</p> <p>3-5 year RS plan in place</p>	<p>Starting to move beyond just audit; from policing to partnering, from assessing to preventing risk</p> <p>Partner with suppliers and key actors in the supply chains to transform practices beyond tier 1 in your supply chain</p> <p>Map highest risk supply chains back to raw materials and show transparency externally</p> <p>Internal root cause analysis: assess commercial procurement, sourcing and merchant process effects in RS.</p> <p>Focus on improving supplier management systems as root cause to compliance issues and overall improvement</p> <p>Ensure that all suppliers are graded with equal weighting of RS metrics against usual commercial performance and price – balanced scorecards</p> <p>Scale up capacity development programs, and continuous supplier development/awareness rising programs</p> <p>Demonstrate effect by measuring and improving good business</p> <p>Measure 'outputs' and 'outcomes' of work done in all work Measure KPI's rather than compliance</p> <p>Long term focus on how to future proof supply chains</p>	<p>Sets the standard for the industry on how to work with RS program</p> <p>RS is now part of the business value creation and this is reflected in company wide sales</p> <p>RS is integrated into corporate sourcing, marketing and business and overall company development strategies</p> <p>RS programs are scalable and sustainable across the whole supply chain</p> <p>Permanent solutions to systemic issues are found, e.g. living wage, slaver</p> <p>Innovative approaches to what "good Jobs" are and how to create them within the supply chain</p> <p>Appreciation of how trade can impact communities; holistic approach to improving suppliers and the community around them.</p> <p>Know how to use trade as force for good</p> <p>Leader in RS; Active investment in knowledge sharing, peer education, and mentoring</p> <p>Commitment to multi stakeholder RS capacity building activities</p> <p>Plan to secure value chains for 10 - 20 years in the future</p>

Measure	in addition to 1.1;	In addition to 1.2			
	<p><b>INTERNAL</b></p> <ul style="list-style-type: none"> <li>Number or % of internal people trained on CoC</li> </ul> <p><b>WITHIN YOUR SUPPLIERS</b></p> <ul style="list-style-type: none"> <li>Number of audits completed</li> <li>Number of potentially high risk suppliers</li> <li>Number or % of high risk suppliers signed CoC</li> </ul>	<p><b>INTERNAL</b></p> <ul style="list-style-type: none"> <li>Number of reports circulated internally with RS data</li> <li>Number of buyers using RS score cards against commercial metrics</li> </ul> <p><b>WITHIN YOUR SUPPLIERS</b></p> <ul style="list-style-type: none"> <li>Number of compliant supplier vs those identified as high risk</li> <li>Number of critical and major non-conformances closed out on time</li> <li>Number of critical issues ranked within each of 4 pillars: (Human rights &amp; Labor standards, Business integrity, Environment, Health &amp; Safety)</li> <li>Number and % of Tier 1 Sites covered by program</li> <li>Number of critical issues closed off, year on year</li> <li>Grievance mechanism available to suppliers</li> </ul>	<p><b>INTERNAL</b></p> <ul style="list-style-type: none"> <li>Number of personnel working on RS</li> <li>Number of buyers trained in better buying practices</li> <li>Number of “other” procurement areas covered in RS program</li> <li>Number of supplier awareness raising activities developed</li> <li>Number of capacity development projects developed/sourced</li> <li>Number of audit due diligence programs in place</li> <li>Critical vs. positive feedback from NGOs/ Campaigners (qualitative)</li> </ul> <p><b>WITHIN YOUR SUPPLIERS</b></p> <ul style="list-style-type: none"> <li>Improvement of overall audit results</li> <li>Percentage of suppliers and spend reached through program</li> <li>Number of other audits carried out reviewing associated risks and external factors</li> <li>Number of sites engaged in capacity development programs</li> <li>Grievance mechanism available to workers at suppliers sites</li> <li>Grievance mechanism used to inform responsible sourcing program scope</li> </ul>	<p><b>INTERNAL</b></p> <ul style="list-style-type: none"> <li>Use of meaningful KPI's that measure good business performance</li> <li>Use of advanced supplier score cards which balance RS and commercial metrics appropriately in supplier selection, contracts and performance management</li> <li>Number of employees trained on RS</li> <li>% of supply chains mapped to the origin</li> </ul> <p><b>WITHIN YOUR SUPPLIERS</b></p> <ul style="list-style-type: none"> <li>Improved management systems at supplier sites</li> <li>Number of suppliers with demonstrated commitment to RS</li> <li>Reduced lost time accidents</li> <li>Reduced worker absentees</li> <li>% of workers paid a living wage</li> <li>Positive scores in worker engagement surveys</li> <li>% worker turnover</li> <li>% of workforce having to do excessive working hours</li> <li>Value of Grievance mechanism</li> <li>Improvement in energy, emissions, water and waste performance</li> </ul>	<p><b>INTERNAL</b></p> <ul style="list-style-type: none"> <li>Number of sourcing departments integrated into RS program</li> <li>% turnover linked to responsibly sourced items</li> <li>Number of new development/ product launch with responsibly sourced components</li> <li>Number of programs designed to share knowledge and support sector improvement</li> </ul> <p><b>WITHIN YOUR SUPPLIERS</b></p> <ul style="list-style-type: none"> <li>Number of audits reduced</li> <li>Number of partnership programs with suppliers in place</li> <li>Number of rewarding schemes for supply base; Supplier partnership awards / funding / benefit sharing, etc.</li> <li>Number of pilot capacity building projects replaced by long term sustainable programs</li> <li>Impact of grievance mechanism</li> <li>Impact data for all programs and against the triple bottom line</li> <li>Impact of trade beyond the 'factory gates'</li> </ul>

<p><b>Stakeholder Engagement</b></p>	<p><b>INTERNAL</b> Understand executive level demand and commitment for a RS program</p> <p>Obtain buy in from key internal stakeholders (legal, RS teams, Buyers)</p> <p>Communication and training to share company policy, intent and expectations</p> <p>Annual reporting on KPI's</p> <p><b>EXTERNAL</b> Initial communication with different audit providers</p> <p>Initial communication and engagement with first set of suppliers</p> <p>Initial discussions with AIM Progress peers</p>	<p><b>INTERNAL</b> Bi/Annual reporting to Board and Executive teams</p> <p>Engage relevant executives and legal in development of the Supplier CoC</p> <p>Collaborate with commercial teams to ensure buy in and consistent messaging of RS issues to suppliers</p> <p>Engage senior management to commit additional resources for RS team</p> <p>Annual reporting on KPI's</p> <p><b>EXTERNAL</b> Build relationship with supply base to support improvements</p> <p>Communication of new CoC</p> <p>Keep abreast of industry international best practice</p> <p>Introduction to grievance mechanism</p>	<p><b>INTERNAL</b> Internal stakeholders are informed of RS supplier performance alongside commercial metrics</p> <p>Annual reporting on KPI's</p> <p><b>EXTERNAL</b> Continual dialogue with suppliers on the CoC and to encourage buy in for capacity building and training</p> <p>Introduction to grievance mechanism</p> <p>Further extension of grievance mechanism into workers</p> <p>Engage with external stakeholders to share best practice, experiences, working collaboratively</p> <p>Initial dialogue with NGOs/campaigners, invite critical review of RS program for improvement</p>	<p><b>INTERNAL</b> Internal communication and training to gain buy in to new mind-set</p> <p>Stronger relationship with commercial teams to ensure RS is integrated into every facet of business</p> <p>Annual reporting on KPI's and supply chain mapping</p> <p><b>EXTERNAL</b> Communication and training with supply base to gain buy in to new mind-set</p> <p>Supplier use of grievance mechanism</p> <p>Outcomes and methodologies shared with peers and other industries</p> <p>Work collaboratively to develop industry best practice and collective standards</p>	<p><b>INTERNAL</b> Internal buy in for 'beyond auditing' approach</p> <p>Executive level understanding of RS impact and sustainability</p> <p>Board receives regular RS reports (KPI's, Supply chain mapping, Value creation, additional turnover, etc) and is eagerly involved in RS strategy development</p> <p>Reporting on; new development associated to responsibly sourced products and/or services</p> <p><b>EXTERNAL</b> Supplier and community level engagement to understand impact and needs</p> <p>Evaluating the impact of the grievance mechanism</p> <p>Leading partnerships with peers, NGO's, government and other industry bodies to share knowledge, best practice and, as a leader, support the needs and development of the industry</p>
<p><b>Outputs</b></p>	<ul style="list-style-type: none"> <li>• Supplier CoC covering initial social and environmental areas</li> <li>• Vision Document - Responsible Sourcing Policy</li> <li>• Budgets approved</li> <li>• Risk assessment process</li> <li>• Initial tools for managing suppliers and issues</li> <li>• RS clauses in buying contracts linked to Supplier Code compliance</li> <li>• Initial metrics and targets for pilot audit program</li> </ul>	<ul style="list-style-type: none"> <li>• Updated CoC taking into account UNGPs and relevant international best practice</li> <li>• Reporting of audit results tracking improvements over time for T1 suppliers</li> <li>• Remediation plans to tackle critical issues</li> <li>• Supplier score cards in place incorporating RS metrics</li> <li>• Internal target setting</li> <li>• Initial information about RS program available to stakeholders (website)</li> <li>• Initial grievance mechanism in place</li> </ul>	<ul style="list-style-type: none"> <li>• 3-5 year RS plan</li> <li>• Updated CoC taking into account legal and other relevant executive level input</li> <li>• Publish Supplier CoC on website</li> <li>• Quality audit data; reports internally and externally</li> <li>• Disaster management action plan in response to significant external issues</li> <li>• Due diligence policy/ program</li> <li>• Capacity building programs methodologies developed</li> <li>• Initial grievance mechanism in place</li> <li>• Grievance mechanism strengthened and expanded</li> </ul>	<ul style="list-style-type: none"> <li>• Tool to understand quality of internal and supplier management systems</li> <li>• Value Chain map working back to raw materials</li> <li>• Meaningful KPI's that measure good business performance and good jobs covering the 4 Pillars; labor standards, health &amp; safety, environment and business integrity</li> <li>• Supplier score cards which balance RS and commercial metrics appropriately</li> <li>• Public information about supplier improvement programs and case studies</li> <li>• Demonstrate leadership through investment in knowledge sharing through website, external reporting, industry events participation</li> </ul>	<ul style="list-style-type: none"> <li>• 10-20 year plan to secure high performing value chain</li> <li>• Tool to show impact and financial return on investment of RS program</li> <li>• Set of preventive programs/solutions for all RS issues</li> <li>• Target setting document; where you are now and how you plan to move beyond an audit based program, supported by timescales &amp; resource requirements</li> <li>• Demonstrate leadership through investment in multi stakeholder industry initiatives and knowledge sharing/education/industry mentoring activities</li> </ul>

<p><b>Capabilities needed</b></p>	<p>Knowledge of relevant sustainability laws, regulations, standards</p> <p>Describe the key elements of a Supplier CoC</p> <p>Awareness of peer activities in RS and rationale</p> <p>Ability to describe highest risk areas and ability to use initial risk assessment tools</p> <p>Knowledge of relevant contractual clauses</p> <p>Knowledge of common non-compliances and how to handle</p> <p>Ability to develop a stakeholder map for RS program</p>	<p>Ability to benchmark own standards against best practice amongst peers and high level standards</p> <p>Ability to extend scope of Supplier CoC as needed and set targets to broaden scope over time</p> <p>Knowledge of UNGP's</p> <p>Knowledge of supply chain "hot spots" and critical issues</p> <p>Ability to develop remediation plans and tools to manage critical issues</p> <p>Ability to scale pilot audit program and develop budgets to manage growth</p> <p>Ability to define and evolve metrics for reporting and management purposes</p>	<p>Knowledge and understanding of root causes</p> <p>Ability to design a capacity building project to address root causes</p> <p>Knowledge of complex risk assessments and external global factors that affect supply chains</p> <p>Ability to implement UNGPs requirements</p> <p>Ability to develop due diligence for your audit program</p> <p>Understanding of audit limitations</p> <p>Ability to further develop a key stakeholder map in line with RS journey development</p> <p>Understanding of commercial relationships and drivers to enable uptake of improvement programs</p>	<p>Financial skills to build business case</p> <p>Understand what drives job satisfaction</p> <p>Understand supply chain mapping for transparency and traceability to raw materials</p> <p>Knowledge and ability to communicate how procurement processes can enhance responsible sourcing results and overall sustainability</p> <p>Knowledge of effective capacity building and supplier development programs within the industry</p> <p>Ability to communicate effectively and manage external multi stakeholders</p>	<p>Knowledge of effective impact assessments</p> <p>Ability to analyze complex impact assessment data and report against the triple bottom line</p> <p>Knowledge of how trade can affect communities both inside and outside of the factory gates</p> <p>Ability to show leadership in RS amongst peers</p> <p>Ability to lead multi stakeholder initiatives</p> <p>Ability to communicate with high level stakeholders and relevant governments about the value of RS in your organization and macro opportunities needed</p>
<p><b>Business Benefits</b></p>	<p><b>Identification and Management of Risk</b></p> <ul style="list-style-type: none"> <li>Minimize business disruption from environmental or labor problems</li> <li>Reducing risk of accidents and associated liability</li> <li>Protect company/Brand reputation and brand value</li> <li>Understanding and adherence to local laws and standards</li> <li>Gain greater access to capital, financing, and insurance</li> <li>Control cost and protect market share</li> </ul> <p><b>Realizing Efficiencies</b></p> <ul style="list-style-type: none"> <li>Cost savings for material inputs, energy, transportation</li> <li>Improving worker motivation and retention</li> <li>Improving relationship with suppliers and support increased productivity</li> <li>Increased stability of supply and increase product quantity and quality</li> </ul> <p><b>Creating Sustainable Products</b></p> <ul style="list-style-type: none"> <li>Innovating to meet evolving customer and business partner requirements</li> <li>New market access</li> <li>Better pricing power</li> <li>Improve customer loyalty</li> </ul> <p><b>Building a Culture of Responsibility</b></p> <ul style="list-style-type: none"> <li>Talent management - Attracting millennials and "Generation Z"</li> <li>Talent retention and improving employee motivation</li> <li>Add value to company-wide organizational sustainability objectives</li> <li>Building stronger relationships with external stakeholders including government</li> <li>Gain greater access to capital, financing, and insurance</li> </ul>			<p>Mindset 2 has all of the above as well as;</p> <p><b>Return on Investment</b></p> <ul style="list-style-type: none"> <li>Ability to demonstrate ROI through impact driven data</li> <li>Drive brand loyalty, increased customer loyalty and profits</li> <li>Maintaining and growing market access</li> </ul> <p><b>Brand Reputation and Continuous Protection</b></p> <ul style="list-style-type: none"> <li>Meet or exceed expectations of consumers, customers, investors, employees, communities, and other stakeholders.</li> <li>Developed social credit protecting financial reputation</li> <li>Demonstrated due diligence with respect to social and environmental responsibility</li> <li>More assured supply for risk commodities or sourcing regions</li> </ul> <p><b>Innovation in Social Responsibility</b></p> <ul style="list-style-type: none"> <li>Strong and beneficial relationships with external stakeholders including NGOs and government officials</li> <li>Identification of innovation solutions to technical challenges and new approaches to problem solving</li> </ul> <p><b>Leadership in Social Responsibility</b></p> <ul style="list-style-type: none"> <li>Respect from the industry</li> <li>Attracting the best talent</li> <li>Trusted relationships with key stakeholders and governments</li> <li>Long term working relationships, earned trust and value</li> <li>Supply chain sustainability</li> </ul>	

## Terminology Reference Guide

CoC	Supplier Code of Conduct
External Stakeholders	Anyone with external interest in your responsible sourcing program; suppliers, vendors, peers, NGO's campaigners, government bodies, etc.
Internal (under measures)	Measurements that are relevant internally within your company
Internal Stakeholders	People within companies
NGO	Non-Governmental Organizations
RS	Responsible Sourcing
RS professional	Responsible Sourcing Professional: The manager/director responsible for the responsible sourcing activities
RS Score Cards	Responsible Sourcing Score Cards that are used with suppliers to understand their performance against responsible sourcing metrics
RS teams	Responsible Sourcing Teams: people within companies who are responsible for carrying out the responsible sourcing activities
RSJ	Responsible Sourcing Journey
SAQ	Self-Assessment Questionnaire
T1	Tier one supplier
UNGP's	United Nation Guiding principles (on business and human rights)