

# Executive Summary

Embody, in collaboration with AIM-Progress, conducted a Supplier Consultation Exercise in India and Indonesia to understand supply chain businesses' experiences, challenges, and needs regarding human rights due diligence (HRDD) and sustainability compliance. The exercise aimed to bridge the gap between compliance requirements and supplier realities by gathering direct insights from businesses.

## Key Findings and Insights:

- **Low Supplier Participation:** Many suppliers declined or avoided engagement.
- **Compliance Challenges:** SMEs struggle with audits, while larger suppliers navigate them more effectively. Most adopt a compliance-driven rather than impact-driven approach.
- **Contextual Realities:** Suppliers face local challenges such as labour retention, rising costs, and regulatory pressures, with differing engagement approaches from Western vs. Asian buyers.
- **Limited Impact of Audits:** While audits improve systems, they require better supplier engagement to translate into meaningful sustainability impacts.
- **Mixed Incentives for Compliance:** Some suppliers see compliance as a competitive advantage, while others feel buyers prioritise cost over ethical sourcing.

## Recommendations:

Based on Embody's analysis of insights gathered from supply chain businesses during consultations, the following recommendations are provided for each stakeholder within the AIM-Progress ecosystem:

1. **Procurement Teams of AIM-Progress members:** Develop targeted procurement strategies through understanding supplier profiles, integrating consistent sustainability communications, fostering relationships beyond transactions, revising procurement terms to support sustainability, and incentivising suppliers via stable contracts and recognition.
2. **Sustainability Teams of AIM-Progress members:** Engage suppliers through meaningful, ongoing dialogue to understand their labour needs, business contexts, and compliance challenges, adapt sustainability audits accordingly, support capability-building initiatives (especially for SMEs), encourage participation in national sustainability programmes, and pilot innovative approaches for fair sharing of costs and benefits.
3. **AIM-Progress as a membership:** Conduct a study on purchasing practices and their impacts on supply chain sustainability and Human Rights and Environmental Due Diligence (HREDD) measures and develop clear industry-wide procurement principles aligned with HREDD standards.

The consultation underscores the need for collaborative, context-aware sustainability strategies. AIM-Progress members can drive meaningful change by fostering transparent dialogue and supporting supply chain businesses in navigating evolving HRDD requirements.