



Responsible Business Alliance

Advancing Sustainability Globally

PRACTICAL GUIDE

TO TRANSPARENCY IN PROCUREMENT

August 2019

SPECTRUM OF TRANSPARENCY

Buyers are grappling with how to integrate social and environmental responsibility into purchasing decisions. The most efficient way is to assess a consistent set of publicly available indicators by which companies report their performance and progress. Transparency is a journey. From a buyer's perspective, transparency is evaluated in many ways and covers many topics. There are hundreds of recommended reporting indicators related to Corporate Social Responsibility (CSR), making it difficult to know what is necessary to have confidence that the products being purchased are manufactured in a socially and environmentally responsible way. Companies also differ in what they share publicly based on CSR maturity, where they are in the supply chain, and the restrictions of supplier contracts. Collectively this can cause challenges in comparing companies' performance, leaving less time for buyers to focus on their core responsibilities.

Responsible Business Alliance (RBA) members understand this challenge. The need for a consistent set of meaningful criteria by which to assess suppliers was a core driver in the development of the RBA Code of Conduct in 2004, and its updates every three years since. RBA Regular and Full Members are expected to commit to the RBA Code of Conduct, and to establish and maintain a robust management system, which results in positive impact on workers and the environment. For companies' public reporting to be both transparent and meaningful, the disclosure of information must be material, understandable to the reader, and useful for making decisions related to sustainability. Each piece of information made available should help demonstrate RBA members' commitment to CSR, provide evidence of their management systems, or describe insights on impact to workers or the environment. In this document we map out a spectrum of maturity related to meaningful transparency that buyers can use as a resource to assess companies' disclosures on social and environmental responsibility and meet their own sustainable purchasing goals.

Increasingly there are calls for including contractual obligations that mandate transparency, such as disclosing audit results or conducting unannounced audits. These requirements are well-intentioned but often in direct violation of privacy laws and supplier agree-

ments. Even when sharing data is permissible, the volume and complexity of audit reports when read by untrained individuals creates a high risk of misinterpretation and inaccurate assumptions of risk. Harmonizing on transparency brings the meaningful data into focus.

The concept is that the "indicators" listed below are the foundation for the *Practical Guide to Transparency in Procurement*. This guide is primarily intended for brands and buyers, but the indicators are set out as a roadmap so any company, including companies deeper in the supply chain, could use this as a guide to begin their journey of transparency in CSR.

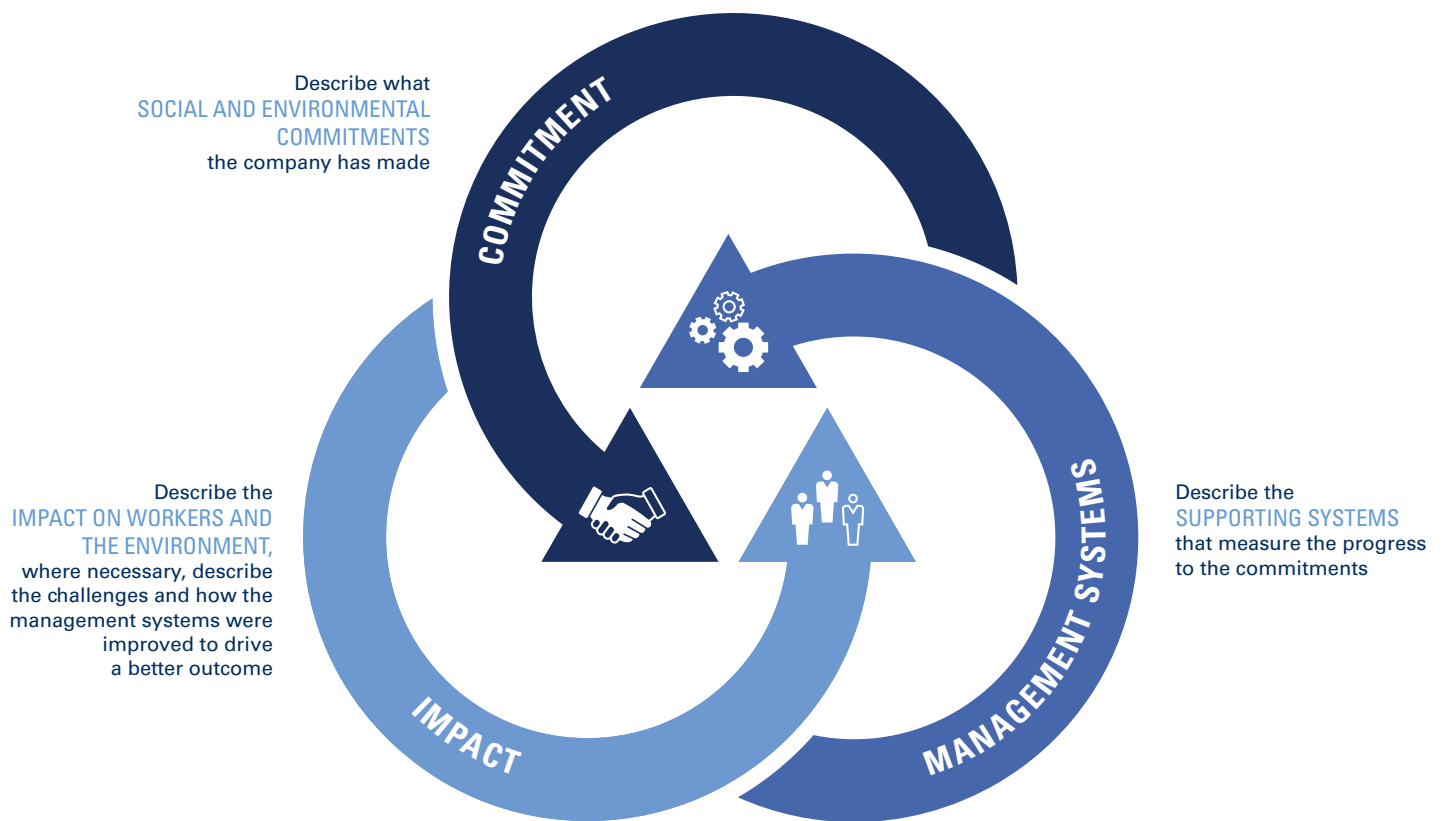
HARMONIZATION

In alignment with the UN Guiding Principles on Business and Human Rights, the provisions in the RBA Code are derived from key international human rights standards including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights. OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, and the Sustainable Development Goals are also considered when revisions to the Code are implemented.

When it comes to transparency, each of the referenced standards has ideas around disclosure. Driving alignment to the intersection of these standards ensures companies are disclosing the most material, relevant, and generally expected indicators, allowing comparison between companies, competitive advantage for leaders, and efficiencies for everyone.

The RBA has created a framework with the goal of harmonization for companies and the industry. The *Practical Guide to Transparency in Procurement* includes a set of CSR indicators that can be used by buyers to simplify the process of supply chain assessments and create harmonization across the industry. For companies that choose to voluntarily disclose, the indicators are a way of meeting multiple internal and external expectations with a single report.

CLOSED-LOOP TRANSPARENCY



THE INPUTS

The RBA has considered the commonalities of social and environmental elements among leading international standards, public framework agreements, and NGO recommendations, including:

- UN Guiding Principles on Business and Human Rights
- GRI G4 – Global Reporting Initiative
- SASB – Sustainability Accounting Standards Board
- OECD – Organisation for Economic Co-operation and Development
- EU Non-Financial Reporting Directive
- Electronics Watch
- Public procurement considerations from across Europe

From these sources, we have distilled the indicators that help companies demonstrate their commitments to CSR, their supporting management systems, and/or the impact (positive or negative) those systems are having. If the impacts are not what was committed to, or if the management systems are not working as designed, then the companies can explain the challenges, and modifications being made, to meet their commitments to workers and the environment.

COMPLEXITIES

There are scores of reporting standards and hundreds of indicators that are recommended for inclusion in companies' CSR reports. These recommendations are based on valid reasoning and trend toward greater transparency. However, the overwhelming amount of data makes it challenging for companies to create a single report or website that meets the needs of all their important stakeholders.

Corporate sustainability reporting is evolving. The ability to collect and report on the environmental and social performance of the supply chain is advancing faster than the contracts that bind manufacturers and their suppliers. Given the realities of contracts, and the impact of

public reporting, the evolution of reporting is a journey that can take many years. Companies may need 2-5 years to meet their CSR reporting ambitions, allowing for time to update long and complex supplier contracts. As contracts, supplier agreements, and industry alignments progress, the public disclosures will progress as well. Alignment on the indicators, and increasing harmonization on reporting, will drive faster adoption of the concept and realities of meaningful transparency.

With that in mind the RBA has kept the recommended indicators to a minimum and outlined a Good/Better/Best approach to disclosure. This methodology allows for all companies to utilize this process, highlights those with advanced and progressive disclosures, and leaves room for the evolution of the indicators over time.

BENEFITS TO BUYERS

The EU Public Procurement Directives foster a greater focus on supply chain sustainability by allowing member states flexibility on requiring product labels and offering award incentives (among other things). The RBA *Practical Guide to Transparency in Procurement* offers many benefits to buyers attempting to support the EU Directives. The RBA requires Regular and Full Members to conduct audits by approved, independent third-party auditors as part of a robust external process to establish confidence that the products they buy are manufactured responsibly.

COMPARABILITY

Leveraging a common Code of Conduct aligned with internationally recognized standards such as the ILO Core Conventions, OECD Responsible Business Conduct Guidance, the Sustainable Development Goals (SDGs), and common public procurement priorities, the RBA is encouraging a consistent and comparable approach to meaningful transparency and due diligence across the supply chain. Assessing a consistent array of publicly available data that companies publish on social and envi-

ronmental responsibility in their supply chains gives a buyer the ability to usefully compare the performance of suppliers. Where RBA members have common suppliers, sharing audits saves RBA members and their suppliers millions of dollars each year, which not only creates business efficiency but also ensures that cost is less of a barrier in the supply base for driving sustainability.

CONSISTENCY

To assist buyers in better understanding how to mitigate risk, the RBA offers tools and programs that can drive confidence in the management systems designed to create positive social and environmental conditions in the suppliers that make up the supply chains. By aligning transparency requirements to the RBA *Practical Guide to Transparency in Procurement*, buyers will reinforce industry-wide consistency and continual improvement.

Continual improvement is the most critical element in advancing positive working conditions across the supply chain and improving environmental performance at the factory level. RBA Validated Audits, which are part of the RBA Validated Assessment Program (VAP), uncover non-compliances to the Code of Conduct, which are verified by an independent third-party audit firm. This ensures adherence to high audit standards as well as consistent audit implementation across geographies, audit firms, and even individual auditors. All Validated Audit findings have specified periods of time during which the facility in question must remedy the findings and implement systems to prevent reoccurrences. By leveraging the documented, repeatable RBA processes, buyers can track progress across suppliers and regions in a consistent way. To ensure equivalence to other global standards, and the principle of continual improvement, the RBA Code of Conduct is reviewed and updated every three years.

INTERNATIONAL ALIGNMENT

The RBA has long been at the intersection of buyers, industry and civil society. Through events across Europe since 2016, the RBA has been facilitating discussions among these stakeholders. This gives us a unique perspective to see opportunities for harmonization, consolidation, and consistency globally. Through multi-stakeholder roundtables, an ICT Roadmap and international engagements, the RBA aims to align the aspirational requirements of buyers with the realities of global supply chain manufacturing.

The RBA *Practical Guide to Implementing Responsible Business Conduct Due Diligence in Supply Chains* provides an overview of the major standards on responsible business conduct and demonstrates how RBA initiatives, programs and tools can help companies operationalize and live up to international supply chain due diligence expectations.

TIME AND RESOURCES

Buyers can offer targeted incentives built on the RBA risk-based strategy and recognition programs. The RBA Validated Audits can be used to demonstrate conformance with procurement agreements, internationally recognized CSR standards and product eco-labels.

BENEFITS TO MEMBERS

Companies that sell to public agencies and are held accountable to the requirements of public bids are seeing an opportunity to align on a single industry standard. Within the RBA membership, these companies are mostly brands. Aligning to a common set of relevant indicators for public reporting offers many benefits to members. It allows for a documented, repeatable approach to reporting that simplifies the process and reduces the time necessary for preparing the report. Since the entry point of CSR reporting has been simplified by the RBA approach, it allows companies new to CSR reporting the flexibility to evolve their transparency over time.

COMPETITIVE ADVANTAGE

Consistency across the industry allows customers to confirm companies' commitments to CSR, transparency, and responsible supply chains. Achieving social and environmental excellence in supply chains offers greater opportunities for incentives and awards through public procurement. RBA members commit to protecting workers and the environment through a risk-based approach to assessments, corrective action and transparency. Utilizing a consistent approach to reporting allows leaders to stand out to customers in the public domain.

INDUSTRY-WIDE AGREEMENT

No organization can single-handedly ensure the absence of social and environmental risks but, collectively, a group of committed organizations can work to drive continual improvement in a shared supply chain. RBA Affiliate, Regular, and Full Members commit to a common Code of Conduct, aligned to internationally recognized standards and guidance, covering critical elements including: Labor, Environment, Health and Safety, Ethics, and Management Systems. The industry has aligned on the RBA Code of Conduct driving harmonization among companies, buyers, and society. Agreement on the Code of Conduct as the foundation of the CSR commitment drives a common, industry-wide agreement and supports harmonization.

STAKEHOLDER TESTED

Members have benefited from multi-stakeholder engagements on topics like forced labor, ethical recruitment, and public procurement. The RBA Code of Conduct and VAP have been advanced as a result of these discussions. Members' commitments to protecting workers and the environment have also increased. As seen with many RBA initiatives, our work in public procurement has been shared with NGOs, buyers and governments, demonstrating the importance of stakeholder engagement.

TIME AND RESOURCES

Participating in a common methodology allows companies to gain efficiencies by following a defined and accepted outline. This saves time and drives scale in their CSR programs. Time and money saved from reporting allows for resources to be redirected to making sustainability impacts and additional investment in addressing root causes of important issues.

By aligning CSR reporting to the outline in the RBA *Practical Guide to Transparency in Procurement*, companies will reap the advantages of efficient and consistent reporting across multiple industries and be able to reinvest time and resources to deliver sustainability impacts.

MEMBER REPORTING

Corporate Sustainability Reporting can be achieved in many ways. The main assessment of a CSR report is that it is material, public, and includes indicators that can be compared and used to make sound decisions. Recognizing that there are many standards for companies to consider, the RBA avoided creating another standard and instead looked for the intersections of existing global standards. The RBA has consolidated a list of the most commonly requested indicators that meet these requirements. These voluntary reporting indicators can be seen as a roadmap to meaningful transparency, allowing members to start with the basic indicators and increase disclosures over time.

INDUSTRY REPORTING

The RBA produces an Annual Sustainability Report. In this report we disclose the top aggregated VAP audit findings. To support members' efforts of meaningful transparency, as well as the needs of buyers globally, the RBA will continue to include and advance the industry-level aggregated data of the indicators, where possible.

An additional value of industry reporting is the ability to see progress over time at a scale greater than any one company could provide individually. As we advance our IT capabilities and use big data throughout the RBA, we will be able to offer more robust data analytics to show the collective impact RBA members are having on their global supply chains.

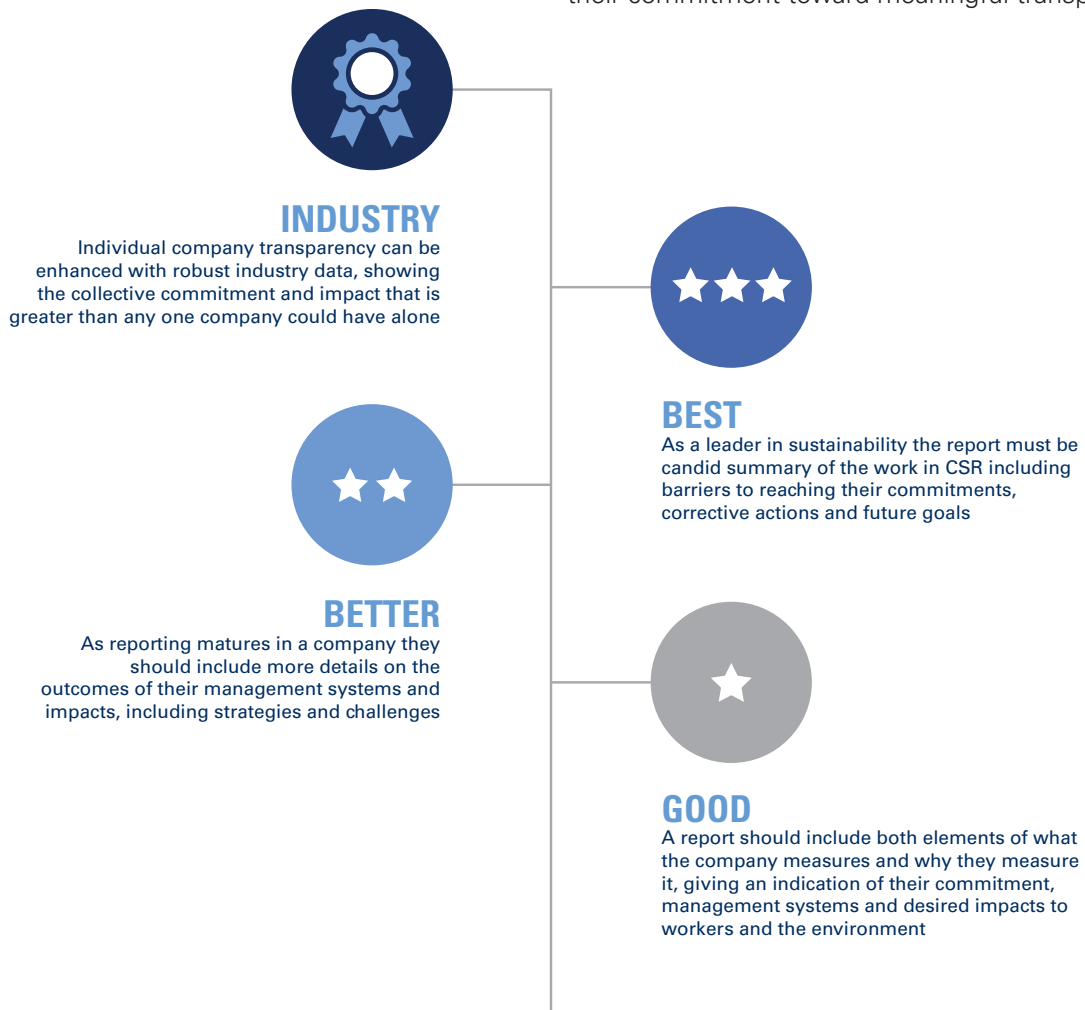
FORMAT

There are many ways in which a company can disclose social and environmental data, including a formal report, dedicated web pages, or other publications like press releases and white papers. Regardless of the format, the intention should be to provide relevant, public and comparable data that customers and other stakeholders can use to make sound decisions.

To drive harmonization and consistency the RBA recommends that each company have a vanity URL that describes where to find the information above as well as their RBA membership commitments: e.g., www.companywebsite/RBA

SPECTRUM OF MATURITY

In order to encourage companies to start the journey to transparency we have provided a step-by-step roadmap from basic but meaningful reporting to robust and candid reporting. We have done this through a Good/Better/Best approach. When companies are new to disclosures, they can start with the indicators in the “Good” column. From this starting point a map is laid out that guides them to the next level of transparency. If their ambition is to advance to more robust reporting, there are more advanced disclosures to aspire to in the Better and Best columns. As mentioned earlier, this guide is intended for brands and buyers and is not intended for companies deeper in the supply chain, but the value is that the indicators are set out as a roadmap, so any company could use this guide to advance their commitment toward meaningful transparency in CSR.



INDICATORS

Where key indicator themes were common across global standards (GRI, ILO, OECD, SASB, etc.), indicator descriptors tended to be similar but not identical. To simplify this process the RBA looked for alignment in the spirit of the indicator, rather than a direct match in text. A separate “Definitions” section is available for clarity. The indicators listed represent a general agreement that the data requested is material and relevant to decision-making

related to sustainability. Following the outline in this guide and requesting only these indicators, using the Good/Better/Best category of your choice, will reduce resource fatigue related to reporting inquiries, allow for comparison across companies, and assist buyers in consistent assessment of their supply chain. For ease of visibility, the indicators have been broken into three sections: Commitment, Management Systems, and Impact.

COMMITMENT:

Indicators that define the company’s commitment to CSR

Indicators	RBA Tools and Services	Good	Better	Best
Supplier Code of Conduct	RBA Membership (Affiliate/Regular/Full) RBA Code of Conduct	Y/N	Length of membership	Membership Category
Public commitment to Social and Environmental issues	RBA Membership (Affiliate/Regular/Full) RBA Code of Conduct	Y/N	Explain	Benefits
Does your risk-assessment specifically look for: 1) Child Labor 2) Forced Labor 3) Human Trafficking 4) Excessive Working Hours and Poor Wages 5) Health and Safety 6) Freedom of Association	RBA Self-Assessment Questionnaire (SAQ) RBA Risk-Assessment Tool RLI Risk Assessment Platform	Y/N	Explain	Benefits
Do you have a publicly available policy to respect human rights?	RBA Membership (Regular/Full)	Y/N	Covered populations	How human rights policies are implemented and disseminated through the supply chain
Identify top suppliers	RBA-Online	Top 10	80% of spend	95% of spend
Circular Economy program (at the company level)	RBA-Online Environmental Reporting Module	Target for reducing waste	Recycled content targets and progress	Circular Economy Business Model
Next Steps in CSR Supply Chain Strategy (at the company level)	RBA Sensing System	Top 3	Top 3 by region	Specific examples

MANAGEMENT SYSTEMS

Indicators that explain the management system that supports the commitment

Indicators	RBA Tools and Services	Good	Better	Best
Does the company appoint a CSR officer to monitor compliance?	N/A	Y/N	Explain	Benefits
Do you carry out Supply Chain Risk Assessments?	RBA Risk Assessment Tool RBA Self-Assessment Questionnaire (SAQ)	Y/N	Explain	Benefits
Does your audit program specifically look for: 1) Child Labor 2) Forced Labor 3) Human Trafficking 4) Excessive Working Hours and Poor Wages 5) Health and Safety 6) Freedom of Association	Validated Audits VAP Recognition	Y/N	Explain	Benefits
List of countries that include supply chain manufacturing	Self-Assessment Questionnaire (SAQ)	Count	List	List products manufactured in each country
Countries audited in the last calendar year	RBA-Online Validated Audits	Count	List	List Products or Suppliers audited
VAP audits (or state equivalent independent third party) which were completed in the last calendar year	RBA-Online Validated Audits	Count	% of supply chain	Tiers in supply chain
Suppliers in capability-building program (suppliers below expectations)	RBA e-Learning Academy Factory Engagement Program	Count	% of supply chain	By Tier in supply chain
An effective complaint/grievance mechanism (at the company and supplier level)	Validated Assessment Program (VAP) Responsible Workplace Program (RWP)	Y/N	Explain	Top Issues
Environmental Reporting (at the company level)	RBA-Online Environmental Reporting Module	What is measured and annual totals, including Scope 1 & 2 GHG	Long-term environmental targets and progress, including Scope 1 & 2 & calculation of Scope 3	Individual performance to larger global efforts
Mineral Sourcing (at the corporate level)	Responsible Mineral Initiative (RMI)	Using CMRT	List of Smelters	By Region & Material
CSR Supply Chain Challenges (at the company level)	RBA Sensing System	Top 3	Top 3 by region	Specific examples

IMPACT

Indicators that explain the impact the commitment is having

Indicators	RBA Tools and Services	Good	Better	Best
State the material CSR Issues facing the company as a whole	RBA Sensing System	Top 3	Top 3 by region	Top 3 by tier and geographic focus or severe impacts
# of suppliers with RBA Recognition (suppliers exceeding expectations)	VAP Recognition Factory of Choice Award	Count	% of supply chain	List Suppliers
Aggregated Audit Results	RBA-Online Validated Audits	Top 3	Top 3 by region	By tier and geographic focus or severe impacts
% of audits with "Priority findings", "zero tolerance" issues "core violations" or equivalent	RBA Membership Compliance Report	Count	% of supply chain	Close Rate
Details on Priority findings or issues associated with the company's supply chain activities and/or business relationships - both social and environmental	Validated Audits	Top 3	Top 3 by region	By supplier type
Summary of corrective action and impact	Validated Audits	Progress	Notable trends	Specific examples
Continuous Improvement Requirement for suppliers not meeting expectations	Validated Audits Factory Engagement Program	Policy	Notable trends	Specific examples
Company progress on material issues	RBA Workgroup participation, initiatives, etc.	Progress	Notable trends	Specific examples

DEFINITIONS

COMMITMENT

Supplier Code of Conduct	State if the company has a supplier Code of Conduct or if the company is a member of the RBA, a supplier to an RBA member, or a member of an RBA initiative. The RBA requires Regular and Full members to pass the Code of Conduct down the supply chain.
Public Commitment to Social and Environmental Issues	State commitment to the elements that the company is committed related to Social and Environmental issues or state your commitment to the RBA Code of Conduct. The RBA requires Regular and Full members to publicly commit to upholding the full RBA Code of Conduct.
Does your risk assessment specifically look for: 1) Child Labor 2) Forced Labor 3) Human Trafficking 4) Excessive Working Hours and Poor Wages 5) Health and Safety 6) Freedom of Association	In the company's documented, repeatable process for assessing CSR risks, does it identify risks related to: 1) Child Labor 2) Forced Labor 3) Human Trafficking 4) Excessive Working Hours and Poor Wages 5) Health and Safety 6) Freedom of Association
Do you have a publicly available policy to respect human rights?	State if the company has a policy to respect human rights; if it is internal, available on request, or available publicly.
Identify top suppliers	Top suppliers are usually defined by spend. The RBA uses a risk-based approach that includes 80% of spend. In some cases, there may be business reasons to prevent the list from being publicly published. If the list cannot be provided, note an explanation. An alternative may be having the list provided directly, possibly under a non-disclosure agreement (NDA).
Circular Economy program (at the company level)	Explain, to what extent, the company has considered including a strategy for the Circular Economy.
Next Steps in CSR Supply Chain Strategy (at the company level)	List actions the company plans to take in the next 12 months to advance their commitment to CSR.

MANAGEMENT SYSTEMS

Does the company appoint a CSR officer to monitor compliance?	A CSR compliance officer is someone with access to the board of directors or the highest level of leadership and communicates CSR issues at that level.
Do you carry out Supply Chain Risk Assessments?	State if the company has a documented, repeatable process for assessing CSR risk in the supply chain, or if the company uses the RBA Supply Chain Risk Assessment tools.
Does your audit program specifically look for: 1) Child Labor 2) Forced Labor 3) Human Trafficking 4) Excessive Working Hours and Poor Wages 5) Health and Safety 6) Freedom of Association	In the company's documented, repeatable process for auditing for CSR risks, does the audit process confidently identify risks related to: 1) Child Labor 2) Forced Labor 3) Human Trafficking 4) Excessive Working Hours and Poor Wages 5) Health and Safety 6) Freedom of Association
List of countries that include supply chain manufacturing	Explain the company's manufacturing strategy, general locations, or countries or cities and what product is manufactured in each region.
Countries audited in the last calendar year	Define the geographic scope in which a third-party CSR audit was conducted in the past 12 months or previous fiscal year.
VAP audits (or equivalent independent third-party audits) were completed in the last calendar year	The number of audits or percentage of supply chain audited (that cover the entire RBA Code of Conduct, not a subset) by a VAP or third-party audit conducted by an approved audit firm.
Suppliers in capability-building program (suppliers below expectations)	Describe how you build capability in suppliers who do not meet minimum standards
An effective complaint/grievance mechanism (at the company and supplier level)	Describe the process that supports the commitment to addressing worker complaints or grievances. Outline the effectiveness of the system and how the closure of grievances are handled, including the communication process with the worker who submitted the complaint.
Environmental Reporting (at the company level)	Explain what the company holds itself accountable for regarding the environment. Explain the goals, metrics and progress.
Mineral Sourcing (at the corporate level)	Describe the sourcing process. Explain if the company is sourcing in accordance with the RBA's Responsible Minerals Initiative (RMI).
CSR Supply Chain Challenges (at the company level)	Describe what is working and what is not in the supply chain strategy related to CSR.

IMPACT

State the material CSR issues facing the company as a whole	This is not "challenges" at a specific factory, or in a specific country, but rather issues that are impacting the company's ability to be effective in this area (e.g., governments not enforcing labor laws).
Number of suppliers with RBA Recognition (suppliers exceeding expectations)	Factory recognition by a third party is one way a company can show it is holding suppliers accountable for meeting the commitments to a responsible supply chain. List how many suppliers, what percentage of suppliers or which suppliers have achieved recognition for CSR Excellence.
Aggregated Audit Results	To cluster all audit results in the past year and identify the most frequent audit findings.
Percentage of audits with "Priority findings," "zero tolerance" issues, "core violations" or equivalent	The percentage of audits that have identified egregious issues.
Details on Priority findings or issues associated with the company's supply chain activities and/or business relationships - both social and environmental	Outline the requirement and the non-conformance to that requirement.
Summary of corrective action and impact	This, unlike the above indicator on company challenges, is a summary of the most impactful issues, the corrective action applied, and the impact measured.
Continual Improvement Requirement for suppliers not meeting expectations	Explain how a buyer would have confidence that the company would assist suppliers that are struggling to be in compliance with the supplier code of conduct.
Company progress on material issues (related to issues listed above)	What level of improvement has been achieved. List aggregated actions and impact of those actions.

CONCLUSION

Today the RBA is comprised of more than 150 companies with combined annual revenue of over \$5 trillion and directly employing more than 6 million people. Our common vision is a global industry that creates sustainable value for workers, the environment and business.

By creating this guide to meaningful transparency and explaining the journey that companies will embark on to achieve this aspirational goal, the RBA hopes to bridge the desire for greater transparency from buyers and the realities of global manufacturing. By harmonizing the indicators, defining the requirements, and creating agreement on the format, we can collectively raise the quality of public CSR disclosures across all industries and drive meaningful impact at the factory level.

CALL TO ACTION: BUYERS

Public buyers have an obligation to understand and conduct proper due diligence across their supply chain. Procurement professionals need credible, qualified partners with expertise in addressing these risks, to conduct due diligence effectively. As one unified step forward, we ask that buyers:

1. Align on the RBA Code of Conduct as the standard by which to hold suppliers accountable
2. Utilize the RBA *Practical Guide to Transparency in Procurement* as the framework for public transparency requirements
3. Utilize the RBA VAP, its Validated Audits, and other RBA tools and resources made available to buyers for your supply chain due diligence processes

CALL TO ACTION: MEMBERS

As a member of the RBA you know the value of harmonization. Members commit to the RBA's approach of continual improvement, to take advantage of harmonization and to advance the Mission and Vision of the RBA. As one, unified step forward, we ask that members:

1. Adopt the guidelines in the RBA *Practical Guide to Transparency in Procurement* for public disclosure
2. Drive harmonization and simplification by using a vanity URL, e.g., www.companywebsite/RBA
3. Ask your suppliers to adopt the guidelines in the RBA *Practical Guide to Transparency in Procurement*

If you are a buyer or retailer and would like more information on the RBA, membership requirements or tools available to buyers, please contact

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Responsible Business Alliance

Advancing Sustainability Globally

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