



8

Value Chain



PolicyLink

FSG REIMAGINING SOCIAL CHANGE

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This is a living document intended to facilitate public feedback on draft business standards (the “draft standards”) developed by the Corporate Racial Equity Alliance (the “Alliance”), an initiative by PolicyLink, FSG, and JUST Capital. The primary goals of the draft standards are to promote and support the improved sustainability performance of U.S. businesses related to social issues, including advancing equity and inclusion, eliminating bias and discrimination, and ensuring equal opportunities for all, regardless of race, gender, ethnicity, socioeconomic status, or any other social category or characteristic protected by applicable law. The draft standards do not call for and should not be read as recommending or requiring businesses to make employment or other decisions based on any protected characteristic in violation of applicable law. Any such application constitutes a misuse of the draft standards.

The draft standards are the product of a multi-year process informed by, and incorporating, broad stakeholder feedback through multiple consultations. The draft standards are not final and remain subject to further review and revision. The draft standards were created based on a snapshot in time. Laws relating to these draft standards may evolve overtime. The Alliance makes no representations or warranties concerning any changes in laws or legal precedent as it relates to these draft standards and is not providing any legal advice. Although all information in the draft standards was obtained from sources believed to be reliable, no representations or warranties, express or implied, are made as to their accuracy or completeness. The Alliance shall not be liable for any claims or lawsuits from any third parties arising from the use or distribution of the draft standards. The draft standards are for distribution only under such circumstances as may be permitted by applicable law.

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Learn more about the Alliance and the draft standards in our latest report, *Introducing the Business Standards for 21st Century Leadership: Public Consultation Report and Draft Standards* available at <https://corporateraciaequityalliance.org/corporate-standards>.

Reviewing and Submitting Feedback

How to Navigate This Standard

Each draft standard begins with an overview, including:

- The outcome that the standard supports achieving
- The basic requirement of the standard
- A list of the currently proposed performance targets for the standard
- The value proposition of adopting the standard
- The most closely associated equity outcomes, showing how achievement of the standard contributes to positive societal impact
- A non-exhaustive list of related sustainability standards and frameworks

Following the overview is a glossary of key terms. Then, each performance target is presented with specific requirements, metrics, implementation guidelines, and resources. To support companies in getting started, suggested interim targets and metrics are included as well.

Navigation links are provided at the bottom of each page, beginning on page 5.

Submitting Feedback

This is a living document and your participation in strengthening this work is important to us. Alongside our ongoing research and testing with companies, we look forward to feedback on these questions:

- Is the standard clear and compelling?
- Do you agree that the performance targets for this standard cover critical ways for companies to address discrimination and exclusion, and advance socially responsible business practices within the given topic? If not, why not?
- Are there additional or alternative performance targets you recommend for this standard?
- What additional guidance, if any, would be helpful for a company to get started and/or make steady progress toward achieving this standard?

Submit your feedback by completing [this survey](#) (letter submissions will also be accepted) or attending one of our virtual roundtables. [Find more information here on providing your feedback.](#)



The company promotes a diverse and socially responsible value chain.



Requirement

■ Champion social responsibility throughout the value chain and ensure procurement policies and practices are fair and inclusive for all.

Performance Targets

- P8.1** A formal procurement policy championing diversity, living wages, human rights, and sustainability in the value chain is adopted and operationalized.
- P8.2** A formal code of conduct for suppliers, business partners, and vendors is adopted and operationalized.
- P8.3** Procurement spending across all business units is regularly analyzed and concrete action is taken to ensure fair business opportunities for all.
- P8.4** Value chain controversies are rare and addressed promptly and effectively.

Associated Equity Outcomes

-  Wealth Generation and Economic and Social Mobility
-  Thriving, Diverse Communities

Key Connections

- SDGs 8 and 10
- ESRS S2 and S3
- IFRS S1
- UNGP 17

Business and Societal Value Proposition

Promoting greater business diversity in the company’s value chain and adopting socially responsible procurement practices are key levers companies have to advance economic inclusion.

According to one study, companies pay [58 cents of every dollar in revenue](#) to their suppliers. Ensuring that fairness and social responsibility are integrated in how the company selects and works with suppliers (as well as the company’s business partners and vendors) is therefore vital.

While supplier diversity programs are relatively common among medium and large companies, extending such programs to high-margin, high-growth spending categories is less common. In addition, workers, customers, and investors alike expect companies to use their procurement power to promote quality jobs and socially responsible business practices. For example, [88% of investment professionals](#) use third-party ESG ratings, which often include ratings related to socially responsible value chain practices.

[Studies have also shown](#) that companies with a strong supplier diversity focus generate a greater procurement return-on-investment than the average business, enjoy lower operating costs, and experience improved bottom lines. In addition to increasing firm-level productivity, companies can also contribute to the strength and resilience of our economy.

The risks associated with overlooking the company’s procurement strategy include increased concentration risk and exposure to potential liability, negative media, and consumer backlash for negative social impacts in the value chain.

The performance targets for this Standard therefore focus on adopting essential policies and practices to foster a diverse and socially responsible value chain, plus key measures that help illuminate whether the company is on the right track.

Glossary

Best value procurement

A procurement method that recognizes the best value to the organization is not always the supplier, business partner, or vendor with the lowest price and, accordingly, takes into consideration multiple factors in the selection of a supplier, business partner, or vendor based on the total benefits the organization expects from the engagement.

Business model

The strategy adopted by a company to fulfill its purpose and create value, including the products and/or services offered to customers, the value proposition to customers, the target market(s), practices across the value chain, and revenue model(s).

Contingent workers

Individuals who are contracted to provide labor for the company, whether part-time, full-time, or on a temporary basis, such as gig workers, self-employed individuals, or workers from staffing agencies and other vendors.

Controversies

Lawsuits, arbitration demands, or other formal complaints against the company brought by one or more stakeholders (such as **direct workers**, **indirect workers**, customers, end users, suppliers, affected communities, or competent authorities). This includes, but is not limited to, labor disputes, discrimination claims, customer or end user complaints, and human rights or civil rights issues, whether reported to the company or to competent authorities.

Demographics or demographic groups

Characteristics of a specific human population, such as geographic location, socioeconomic status, race, ethnicity, gender, sexual orientation, disability, and age.

Direct workers

Individuals who are in an employment relationship with the company, such as full-time and part-time employees.

Disaggregate

To collect and separate compiled data into smaller units or subcategories so that component parts can be isolated and examined for trends and patterns (e.g., data organized by specific racial and ethnic groups versus “people of color” as a single grouping).

Disparity

A statistically significant difference in access, opportunity, use, or outcomes for one or more **demographic groups** that has no valid justification (i.e., cannot be explained by legitimate, nondiscriminatory business reasons). Disparities are indicative of unequal treatment and/or opportunities. In the context of the Standards, disparities can be addressed by adopting new systems, policies, and practices that promote fairness for all people regardless of their background.

Diversity

Of a group, possessing variation on the basis of social demographics, such as across race, ethnicity, gender, sexual orientation, disability, and age (e.g., a diverse workforce).

Equity

Just and fair **inclusion** into a society in which all can participate, prosper, and reach their full potential. When

everyone is treated fairly according to their needs and no group of people is given special treatment.

Gap analysis

A comparative analysis of the current state of a set of quantitative or qualitative factors against a given Performance Target, including the Guidelines. Conducting such an analysis is step one across every Performance Target.

Human rights

The range of rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. These rights are listed in the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights) and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. These rights are elaborated further in international human rights instruments focusing on the rights of indigenous peoples; women; national or ethnic, religious, and linguistic minorities; children; people with disabilities; and migrant workers and their families. The role of business respecting these rights is set out in the UN Guiding Principles on Business and Human Rights (UNGP) and the Ten Principles of the UN Global Compact.

Impact

The effect the company has or could have on its **stakeholders** over the short, medium, or long term through its activities, including its operations, products, services, and business relationships, whether positive or negative, intended or unintended. This term is intended to be equivalent to the defined term “impacts” in the [European Sustainability Reporting Standards](#) (ESRS).

Inclusion

The values, practices, and policies that ensure all people, across all social demographics, feel respected, safe, and valued, including and accommodating people who have historically been excluded such as due to their race, ethnicity, gender, sexual orientation, or disability. Inclusion values and leverages **diversity**, recognizing it as a source of strength for organizations.

Indirect workers

Individuals performing work in the company's value chain, including (i) through suppliers of products or services used in the development of the company's products and services; (ii) business partners, such as resellers, distributors, systems integrators, and marketers of the company's products and services; and (iii) vendors and any other individuals, entities, or groups the company uses and relies on to operate the company and execute its business model, from conception to delivery, consumption, and end-of-life of the company's products and services. This term is intended to align with the defined term "value chain worker" in the ESRS.

Intersectionality

The interconnected nature of inequality across social categorizations, such as race, ethnicity, gender, sexual orientation, disability, and class, which in turn results in overlapping and interdependent systems of discrimination or disadvantage for a given individual or group of people. As described by professor [Kimberlé W. Crenshaw](#) of Columbia Law School, who coined the term over 30 years ago, intersectionality is "[a lens... for seeing the way in which various forms of inequality often operate together and exacerbate each other.](#)"

Leaders or leadership

Senior leaders, as defined below, plus:

- Middle management, including people managers who have oversight of, but are not directly managing, non-managerial workers; and
- Any other internal leaders with decision-making power over non-managerial workers.

Living wage

The amount of remuneration, based on a standard work week, needed for a worker and their family to cover the cost of essentials where they live, including food, childcare, health insurance, housing, transportation, and other necessities such as clothing and personal care items (excludes tips, overtime, commissions, and non-cash pay or benefits, such as grants of equity securities). A living wage is likely not the same as (and is typically higher than) the local minimum wage. This term is intended to be equivalent to how living wage is defined by the [Global Living Wage Coalition](#).

Material decision

A decision made by the company that has or could have a significant **impact** on profitability/shareholder value and/or one or more of its stakeholder groups, including **direct workers, contingent workers, indirect workers**, customers, end users, communities, and society at large. This includes, among other things, the health and safety of the company's and its suppliers' workplaces; the health, safety, accessibility, and pricing of products and services; the environmental impacts of the company's and its suppliers' operations; and any practices that could result in excluding marginalized or underinvested groups from fair opportunities.

Minority business enterprise (MBE)

A business enterprise that is at least 51% owned by people of color. In the case of a publicly listed company, at least 51% of the company's stock is owned by one or more such individuals

and the management and daily operations are led by such individuals. This term is intended to align with the [National Minority Supplier Development Council's definition of MBE](#).

People of color and communities of color

The term **people of color** includes all people who are of a race/ethnicity other than non-Hispanic white. This includes people who are Black, Indigenous (or Native American), Asian American and Pacific Islander, Latinx, Arab-Middle Eastern American, multiracial, and immigrants of color. The term **communities of color** refers to groups of people of color within neighborhoods, cities, or regions.

Senior leaders or senior leadership

- Officers as defined in the company's bylaws;
- Named executive officers as defined under U.S. Securities and Exchange Commission reporting rules;
- C-Suite or equivalent senior leaders; and
- Leaders with overall ownership and responsibility for department or divisional budgets.

Small and medium-size enterprises (SMEs)

A business enterprise with fewer than 500 employees and annual gross revenue (or total sales) under \$50 million. SMEs are powerful engines of job creation and growth in our economy as well as an important source of innovation, new products, and new services. Over 99% of U.S. businesses are SMEs and, in recent decades, they have provided over half of all jobs and two-thirds of all net new jobs. Many SMEs are also MBEs, as well as women-owned business enterprises (WBEs), disability-owned business enterprises (DOBEs), U.S. veteran-owned business enterprises (VBEs), and LGBTQ+-owned business enterprises (LGBTBEs).

Stakeholders

Individuals and groups who have an interest in the policies and practices of companies not only because they are affected by them, but also because they have rights to be respected and protected by companies, e.g., workers' rights to fair wages, consumers' rights to safe products, suppliers' rights to transparency, investors' rights to be informed of material facts, communities' rights to clean and safe neighborhoods, and society's rights to a healthy environment, among others.

Sustainability

As defined by the [1987 United Nations Brundtland Commission](#), "meeting the needs of the present without compromising the ability of future generations to meet their own needs." In the business context, it means [a company's delivery of long-term value in financial, social, environmental and ethical terms](#). This includes recognizing and adhering to social thresholds, such as paying living wages across the workforce, in recognition of the essential role living wages play in cultivating and maintaining a healthy labor force and a stable society. It also includes ecological thresholds, such as limiting emissions and natural resource use, in recognition of the natural limits of our planet to support all life.

Underrepresented businesses

Minority business enterprises (MBEs), small- and medium-size enterprises (SMEs), and business enterprises that are at least 51% owned and operated by one or more individuals from the following **demographic groups**: women, people with disabilities, veterans, and LGBTQ+ individuals, respectively referred to as:

- Women-owned business enterprises (WBEs);
- Disability-owned business enterprises (DOBEs);
- US Veteran-owned business enterprises (VBEs); and
- LGBTQ+-owned business enterprises (LGBTBEs).

For publicly listed underrepresented businesses, at least 51% of the company's stock is owned by one or more individuals from such demographic groups and the management and daily operations are led by such individuals.

Value chain

The range of activities and processes carried out by (i) suppliers of products or services used in the development of the company's products and services; (ii) business partners, such as resellers, distributors, systems integrators, and marketers of the company's products and services; and (iii) vendors and any other individuals, entities, or groups the company uses and relies on to operate the company and execute its **business model**, from conception to delivery, consumption, and end-of-life of the company's products and services. This encompasses the full range of activities and processes upstream and downstream of the company and at any stage of its business model execution.

PERFORMANCE TARGET 8.1

A formal procurement policy championing business diversity, living wages, human rights, and sustainability in the value chain is adopted and operationalized.

Requirement

Codify and operationalize a procurement policy championing business [diversity](#), [living wages](#), [human rights](#), and [sustainability](#) in the [value chain](#).

Metric

One procurement policy consistent with the guidelines.

Share Progress & Achievement

Disclosure available to the public of the company's adoption of the policy and how it is operationalized, either on the company's website or in an annual report (or other publicly available filing).

Rationale, Tips, and Guidelines

RATIONALE:

[According to one study](#), “[t]wo-thirds of the average company’s environment, social, and governance footprint lies with suppliers.” The opportunity for equitable impact and broad reach through the company’s procurement is therefore significant. Step one is embedding equity, inclusion, and social responsibility in formal and informal procurement policies and practices, including promoting business diversity, living wages, human rights, and sustainability in the value chain.

IMPLEMENTATION TIPS:

1. This Target does not call for and should not be read as recommending or requiring businesses to make procurement decisions based on any protected status or characteristic in violation of any law.
2. The guidelines below may be incorporated into an existing procurement policy and/or combined with other compliance topics, such as fair trade, anti-bribery, anti-corruption, and sanctions compliance.
3. A sample procurement policy consistent with the guidelines below will be included with this Target upon the launch of the final Standards.

GUIDELINES:

1. The policy should be in writing and formally approved by the most senior leader(s) with oversight of procurement, as reflected by their signature(s) on the policy.
2. The policy should contain the following:
 - a. The company’s commitment to inclusion and socially responsible business, including business diversity, living wages, human rights,

and sustainability, throughout the value chain.

- b. Reference to establishing a code of conduct to which suppliers (at least Tier 1), business partners, and vendors will be expected to promote the same commitments. (See Target 8.2 for the code of conduct.)
- c. An explicit statement that all categories of procurement spending are within the scope of the policy, including the core business and high-margin spend categories, such as IT, R&D, insurance, benefits providers, real estate, legal, capital management, and other professional services.
- d. [Best value procurement](#) as a method by which supplier, business partner, and vendor determinations may be made.
- e. Requirement of regular monitoring and internal reporting of spending by business unit and spend category, [disaggregated](#) by geography and types of businesses, including [underrepresented businesses](#).
- f. Meaningful and measurable commitments to join industry efforts that support the growth and success of underrepresented businesses, including MBEs, WBEs, DOBEs, VBES, LGBTBEs, and SMEs.
- g. Enumeration of the inclusive practices the company has established to promote fair competition for all businesses, such as the following:
 - i. Relationship-building opportunities for underrepresented businesses;
 - ii. Streamlined request-for-proposal (RFP) processes;

- iii. More prompt payment for SMEs;
 - iv. Support on diversity certification(s);
 - v. Training and orientation for new suppliers, business partners, and vendors; and
 - vi. Financial and other support for underrepresented businesses to adopt the labor and sustainability standards in the code of conduct.
- h. Enumeration of the metrics of success for business diversity, such as the inclusion of underrepresented businesses, cost savings to the company, retention rates of underrepresented businesses, number of innovative solutions introduced by underrepresented businesses, and the number of jobs created.
- i. Rewards or incentives for suppliers, business partners, and vendors that champion the code of conduct.
- j. Prohibition of continued spending with suppliers that flout compliance with the code of conduct and appropriate protocols for phasing out spending with such suppliers, including contract terms providing for termination and wind-down in the event of material breaches.
- k. Prohibition of spending with suppliers, business partners, and vendors that (i) use child labor, prison labor, forced labor, modern slavery, or labor in conflict areas; or (ii) engage in other practices that are known to result in negative **impacts** on the planet or any groups of people.
- l. Regular education and training of team members involved in procurement and value chain management to support their success in

achieving the company's goals, including tackling implicit biases.

- m. Description of the manner in which adherence with the policy will be operationalized, including adequately resourced and compliance continually monitored—from internal teams to adoption of the code of conduct by suppliers, business partners, and vendors.
3. Review the policy and the manner in which adherence is operationalized on an annual basis.
4. At least annually, share the policy across the workforce, including how it is operationalized.

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- **Gap analysis** conducted of procurement policies and practices, including assessing the need for resources and other support to operationalize a new policy.
- New or updated procurement policy drafted and presented to applicable senior leader(s) for approval.
- Education and training on new procurement policy rolled out to all **leaders**; employees involved in procurement and value chain management; and others whose roles involve regular engagement of suppliers, business partners, and vendors.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with senior leadership.
- Finalized draft of new or updated procurement policy.
- Documentation of communication and training materials for all leaders.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

Resources

[Expand Diversity Among Your Suppliers—And Add Value to Your Organization](#) (Milan Prilepok, et al., McKinsey, May 2022)

[How to Build a Supplier Diversity Program That Will Drive Long-Term Impact](#) (Lindsay Azim, Supply Chain Quarterly, February 2022)

[The Corporation in the 21st Century](#) (Michael Birshan, Sean Brown, and Clarisse Magnin-Mallez, McKinsey, 2021)

[Living Wage Action Guide](#) (Roadmap on Living Wages, IDH, accessed May 2024)

[Roadmap on Living Wages: A Platform to Secure Living Wages in Supply Chains](#) (IDH, accessed May 2024)

[Advisory Opinion on Citigroup Inc.'s Action for Racial Equity Asset Manager Program](#) (Karen Lloyd, Employee Benefits Security Administration, US Department of Labor, September 2023)

[Principle Two of the UN Global Compact: Human Rights](#) (Ten Principles of the UN Global Compact, UN Global Compact, accessed May 2024)

[The MCCs 2.0](#) (Responsible Contracting Project, Center for Corporate Law and Governance, Rutgers Law School, accessed May 2024)

[The Buyer Code](#) (Responsible Contracting Project, Center for Corporate Law and Governance, Rutgers Law School, accessed May 2024)

[Supplier Model Contract Clauses](#) (Responsible Contracting Project, Center for Corporate Law and Governance, Rutgers Law School, accessed May 2024)

[Buying into a More Sustainable Value Chain](#) (Celine Cherel-Bonnemaison, et al., McKinsey, September 2021)

PERFORMANCE TARGET 8.2

A formal code of conduct for suppliers, business partners, and vendors is adopted and operationalized.

Requirement

Codify and operationalize a code of conduct for suppliers, business partners, and vendors that promotes business [diversity](#), [living wages](#), [human rights](#), and [sustainability](#) in the [value chain](#).

Metrics

Policy metric: One code of conduct consistent with the guidelines.

Practice metric: Percentage of suppliers, business partners, and vendors annually demonstrating adherence to the code of conduct.

Share Progress & Achievement

Disclosure available to the public of the code of conduct and how it is operationalized, either on the company's website or in an annual report (or other publicly available filing). Update disclosure in the event of substantial policy changes.

Rationale, Tips, and Guidelines

RATIONALE:

Given that [a significant portion of the average company's environment, social, and governance footprint lies with its suppliers](#), it is critical for companies to support suppliers, as well as business partners and vendors, in being equitable, inclusive, and socially responsible. Alongside adopting a procurement policy in line with Target 8.1, establishing a formal code of conduct for suppliers, business partners, and vendors will help the company ensure that its values and [impact](#) goals are shared and upheld throughout its value chain.

IMPLEMENTATION TIPS:

1. This Target does not call for and should not be read as recommending or requiring businesses to make procurement decisions based on any protected status or characteristic in violation of any law
2. The code of conduct may be incorporated within the company's procurement policy (for example, as an appendix).
3. The guidelines below may be combined with other compliance topics, such as human rights due diligence processes, and fair trade, anti-bribery, anti-corruption, and sanctions compliance.
4. Depending on the industry, it may take some companies more time (potentially years) to fully achieve this Target. Start with establishing the time, dedicated resources, and infrastructure, including

internal and external training and orientation, relationship management, pipeline building, and compliance monitoring.

5. Adopting Standard 13 on responsible civic and political engagement can support success here by helping to align business incentives at the local, state, and federal level toward greater economic inclusion of [underrepresented businesses](#) and living wages for all.
6. A sample code of conduct consistent with the guidelines below will be included with this Target upon the launch of the final Standards.

GUIDELINES:

1. The code of conduct should be in writing and formally approved by the most senior leader(s) with oversight of procurement, as reflected by their signature(s) on the policy.
2. Once approved, the code of conduct should be appended to all supplier, business partner, and vendor contracts (and terms and conditions, as applicable).
3. The code of conduct should contain the following:
 - a. The company's commitment to inclusion and socially responsible business, including business diversity, living wages, human rights, and sustainability, throughout the value chain.
 - b. The requirement for suppliers (at least Tier 1), business partners, and vendors to do the following:
 - i. Adhere to the same or substantially similar commitments, allowing for reasonable time to achieve all the commitments.

- ii. Promote the same obligations across their respective value chains, also allowing for reasonable time periods to achieve the commitments.
 - iii. Annually report their progress in adhering to the code of conduct.
- c. Clear expectations of suppliers (at least Tier 1), business partners, and vendors to promote fair workforce treatment, including the following:
- i. Paying 100% of their [direct workers](#) living wages based on a clearly defined and widely accepted calculator (i.e., in the U.S., [Living Wages for US](#) or [MIT Living Wage Calculator](#); outside the U.S., [Anker Methodology](#) or [WageIndicator](#)), or providing a reasonable time-based plan to achieve living wages, which may include support from the company or industry groups.
 - ii. Ensuring contractual terms for [contingent workers](#) include obligations to pay such workers living wages in line with the above.
 - iii. Undertaking proactive efforts to promote living wages for [indirect workers](#) in line with the above.
 - iv. Respecting the human rights of all workers—such as health and safety, fair treatment, freedom of association, work-life balance, equal treatment and opportunities, pay equity, and other work-related rights—including by adhering to the [UN Guiding Principles on Business and Human Rights](#).

- d. Clear expectations of suppliers (at least Tier 1), business partners, and vendors to adhere to the following:
- i. Strive to meet sustainability goals consistent with their resources and operational footprint, but no less ambitious than best practices within their industry.
 - ii. Promote business diversity within their value chains, including measurable efforts for the inclusion of underrepresented businesses.
 - iii. Make measurable contributions to industry efforts supporting the growth and success of underrepresented businesses if market data evidences significant underrepresentation of such businesses.
 - iv. Commit to adopt the Standards over a reasonable time period, if based in the U.S.
- e. Prohibition on suppliers, business partners, and vendors from the following:
- i. Using child labor, prison labor, forced labor, modern slavery, or labor in conflict areas.
 - ii. Engaging in any other practices that are known to result in negative impacts on the planet or any groups of people.
- f. The company's right to regularly monitor and confirm compliance.
- g. A description of the process and manner of anonymous communication with the company through which concerns may be raised by

suppliers, business partners, vendors, workers, or anyone else.

- h. Statement that the code of conduct is incorporated by reference in contracts (and terms and conditions, as applicable) with the company.
4. Review the code of conduct and the manner in which adherence is operationalized on an annual basis.
 5. At least annually, share the code of conduct across the workforce, including how it is operationalized.

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- [Gap analysis](#) conducted of supplier, business partner, and vendor policies and practices, including assessing the need for resources and other support to operationalize the code of conduct.
- New or updated code of conduct drafted and presented to applicable [senior leader\(s\)](#) for approval.
- Education and training on new code of conduct rolled out to all [leaders](#) and employees involved in procurement and value chain management.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with senior leadership.
- Finalized draft of new or updated code of conduct.
- Documentation of communication and training materials for all leaders and employees involved in procurement and value chain management.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

Resources

[The Corporation in the 21st Century](#) (Michael Birshan, Sean Brown, and Clarisse Magnin-Mallez, McKinsey, 2021)

[Living Wage Action Guide](#) (Roadmap on Living Wages, IDH, accessed May 2024)

[Roadmap on Living Wages: A Platform to Secure Living Wages in Supply Chains](#) (IDH, accessed May 2024)

[Moving Living Wage Forward Faster: Action Guide](#) (Forward Faster Initiative, UN Global Compact, July 2023)

[Inclusive Business Playbook: A Practical Playbook for Business Leaders](#) (EY and Acumen, 2021)

[The MCCs 2.0](#) (Responsible Contracting Project, Center for Corporate Law and Governance, Rutgers Law School, accessed May 2024)

[The Buyer Code](#) (Responsible Contracting Project, Center for Corporate Law and Governance, Rutgers Law School, accessed May 2024)

[Supplier Model Contract Clauses](#) (Responsible Contracting Project, Center for Corporate Law and Governance, Rutgers Law School, accessed May 2024)

[Only 3% of America's Largest Companies Encourage Living Wages for Supply Chain Workers – But These 5 Companies Are Leading on the Issue](#) (Daniel Krasner, Rachael Doubledee, and Matthew Nestler, JUST Capital, accessed May 2024)

[The Case for Living Wages: How Paying Living Wages Improves Business Performance and Tackles Poverty](#) (Shift Project, Business Fights Poverty, and The University of Cambridge Institute for Sustainability Leadership, May 2022)

[Fairness in the Workplace With a Living Wage](#) (Unilever, accessed May 2024)

[Living Wage: Take the Living Wage Tool](#) (UN Global Compact, accessed May 2024)

[Forward Faster: Living Wage](#) (UN Global Compact, accessed May 2024)

[Global Living Wage Coalition](#) (Global Living Wage Coalition [website], accessed May 2024)

[Living Wage Database](#) (Fair Wage Network, accessed May 2024)

[IDH Benchmark Finder](#) (IDH, accessed May 2024)

[Wages](#) (International Labour Organization, accessed May 2024)

[Shining a Light on Tech's Shadow Workforce](#) (Contract Worker Disparity Project, TechEquity Collaborative, January 2022)

[Responsible Contracting Standard: Tech Companies Closing the Gap in Contract Work](#) (Contract Worker Disparity Project, TechEquity Collaborative, January 2022)

PERFORMANCE TARGET 8.3

Procurement spending across all business units is regularly analyzed and concrete action is taken to ensure fair business opportunities for all.

Requirement

Annually analyze procurement spending across all business units and spend categories, and take concrete action where needed to ensure fair business opportunities for all.

Metric

Annual procurement spending across business units and spend categories, [disaggregated](#) by geography and types of businesses including [underrepresented businesses](#).

Share Progress & Achievement

Annual disclosure to the Board of (i) spending with underrepresented businesses as a percentage of total spend; (ii) percentage of underrepresented businesses among total number of suppliers, business partners, and vendors; and (iii) percentage of spend categories sourcing annually from underrepresented businesses, in each case, disaggregated across types of underrepresented businesses.

Rationale, Tips, and Guidelines

RATIONALE:

An important step in fostering fair business opportunities for all is to ensure the company's procurement strategy successfully promotes the inclusion of underrepresented businesses across all business units and spend categories. While many companies have made progress in supporting the growth of underrepresented businesses in recent years, much more progress is needed. As just one example: [according to the National Minority Supplier Development Council \(NMSDC\)](#), Black-owned businesses in particular continue to face the greatest exclusion. While these businesses represent the highest percentage of NMSDC-certified businesses, their share of annual revenues among [minority business enterprises](#) is the second lowest.

Therefore, gathering the right data and regularly evaluating the company's efforts across all types of businesses, including underrepresented businesses, is critical to ensure the company is sourcing inclusively. The goal of this Target is to support the company in uncovering and tackling barriers that may exist for underrepresented businesses across business units and spend categories. For example, if underrepresented businesses are consistently relegated to a handful of business units or low-margin spend categories, the company should determine what issues may be at play

and take concrete action to ensure all businesses have a fair opportunity to compete across the enterprise.

IMPLEMENTATION TIPS:

1. This Target does not call for and should not be read as recommending or requiring businesses to make procurement decisions based on any protected status or categories in violation of any law.
2. Adopting Targets 8.1 and 8.2 are key to success here, including training all relevant leaders and teams on the new procurement policy and implementing inclusive procurement terms such as streamlined RFP processes.

GUIDELINES:

1. On at least an annual basis, measure and analyze procurement spending across all business units and spend categories, including evaluating the following:
 - a. Disaggregated spending by geography and types of businesses including underrepresented businesses.
 - b. The amount of spending with underrepresented businesses as a percentage of total spend.
 - c. The percentage of underrepresented businesses among the total number of suppliers, business partners, and vendors.
 - d. The percentage of business units and spend categories sourcing annually from underrepresented businesses.
 - e. Whether any types of underrepresented businesses are consistently concentrated in a limited number of business units or low-margin spend categories.

- f. Whether any types of underrepresented businesses have persistently low retention rates.
 - g. Whether any types of underrepresented businesses are not represented at all across the business.
2. Take concrete action to promote greater inclusion if there are any disparities within business units or spend categories and/or if labor market data evidences significant underrepresentation of any particular types of businesses. The company should determine the most appropriate course of action based on its circumstances, which may include the following:
- a. Investing more in relationship-building opportunities for underrepresented businesses.
 - b. Further streamlining RFP processes.
 - c. Providing more prompt payment for SMEs.
 - d. Improving training and orientation for new suppliers, business partners, and vendors.
 - e. Soliciting feedback from suppliers, business partners, and vendors directly on ways the company might be more inclusive.
 - f. Contributing to building the pipeline of underrepresented businesses, such as the following:
 - i. Joining industry alliances and coalitions incubating and providing support to underrepresented businesses.
 - ii. Offering networking opportunities to build broader relationships.

- iii. Offering programs for greater access to capital.
- iv. Offering learning and development scholarships.
- v. Developing or investing in mentorship, coaching, and training programs.
- vi. Providing financial and other support to obtain recognized certifications.
- vii. Building relationships, joining, and collaborating with industry groups, chambers of commerce, and other organizations that support the growth and success of underrepresented businesses.
- viii. Advocating for public policies that promote the growth and success of underrepresented businesses.

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- [Gap analysis](#) conducted of procurement spending by business unit and spend categories.
- Data gathering infrastructure established to measure and analyze procurement spending regularly.
- One or more concrete actions are taken annually if there are [disparities](#) in procurement spending.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with [senior leadership](#).
- Percentage of business units sourcing inclusively.
- Percentage of spend categories sourcing inclusively.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

Resources

[Business Diversity Principles Initiative](#) (U.S. Department of Commerce, November 2023)

[2022 Minority Businesses: Economic Impact Report](#) (National Minority Supplier Development Council, 2023)

[2023 Supplier Diversity Benchmarking Report](#) (Supplier.io, 2023)

[New U.S. Business Fact Sheets](#) (Minority Business Development Agency, U.S. Department of Commerce, accessed May 2024)

[Why You Need a Supplier-Diversity Program](#) (Alexis Bateman, Ashley Barrington, and Katie Date, Harvard Business Review, August 2020)

[Closing the Black Employer Gap: Insights from the Latest Data on Black-Owned Businesses](#) (Andre M. Perry, Manann Donoghoe, and Hannah Stephens, The Brookings Institution, February 2024)

PERFORMANCE TARGET 8.4

Value chain controversies are rare and addressed promptly and effectively.

Requirement

Annually analyze [value chain controversies](#), take concrete action to steadily decrease such controversies (if any) annually, and ensure those that occur are addressed promptly and comprehensively.

Metrics

Number and types of value chain controversies for the current year and past three years, with [demographics](#) of affected parties and status of resolution.

Share Progress & Achievement

Annual disclosure to the Board of the (i) number, types, status, and manner of resolution of value chain controversies for the current and past three years, with [demographics](#) of affected parties; (ii) any recurring issues and/or [disparities](#); and (iii) concrete actions being taken to reduce value chain controversies.

Avoid sharing [disaggregated](#) demographic data when group sizes are too small to ensure individual anonymity (typically N < 25).

(Disclosures related to this Target are not intended to require disclosure of any information under attorney client privilege or attorney work product protections.)

Rationale, Tips, and Guidelines**RATIONALE:**

Value chain-related controversies—from discrimination claims to safety incidents and human rights violations—can cause severe consequences for the affected parties and for companies. A high number of controversies or frequently recurring types of controversies are indicators of weak internal controls and a disconnect between the company's values and actual [impacts](#). Regularly tracking value chain controversies, including the types of issues that arise, taking concrete action to steadily decrease them, and ensuring those that occur are addressed promptly and comprehensively are therefore an important component of being a socially responsible business.

IMPLEMENTATION TIPS:

1. This Target recognizes that perfection is not always possible. While the company should always aim for zero value chain controversies annually, it is just as important to promptly and effectively address controversies if and when they arise.
2. Because value chain controversies do not typically happen at regular or expected intervals, and because the impact of controversies can be long-lasting, this Target considers performance over the last three years in addition to the current year.
3. Adopting Targets 2.5 (human rights assessments), 8.1 (procurement policy), and 8.2 (code of conduct for

suppliers, business partners, and vendors) can help surface issues early on and contribute to reducing the incidence and severity of value chain controversies.

4. See Targets 4.6, 7.3, and 10.5 for controversies related to [direct workers](#) and [contingent workers](#), customers and end users, and communities, respectively. The guidelines below are designed to be consistent with such Targets so they can be implemented together.
5. Though not the main focus of this Target, tracking material fines, sanctions, and compensation that the company pays to resolve value chain controversies is also important.

GUIDELINES:

1. Annually track and analyze the number, types, status, and manner of resolution of value chain controversies, including the demographics of affected parties where possible.
 - a. Categorize controversies by their severity, including (i) the nature of the claim or issue, (ii) the impact on affected parties, (iii) the impact on the company, and (iv) whether they are due to policies and practices (i.e., systemic in nature) or rogue actors.
 - b. Disaggregate controversies by business unit, department, supplier/business partner/vendor, and geography.
 - c. Apply an [intersectional](#) lens in the analysis of results.
 - d. Identify any disparities across affected parties, such as in the outcomes of controversies.
 - e. Identify any trends, such as in severity or higher or lower rates with a particular supplier, business partner, or vendor, or within a

particular business unit, department, or location.

- f. For large companies, measuring more frequently (such as quarterly or monthly) is recommended to more promptly identify and address recurring issues.
2. To meet this Target, value chain controversies should be (i) addressed promptly and comprehensively and either (ii) steadily decreasing in number compared against the last three years, or (iii) [below the benchmark for the company's industry]. *(Note to reviewers: this guideline, in particular, is undergoing further research and testing.)*
 3. Addressing controversies promptly and to the satisfaction of affected parties requires the following:
 - a. Promptly conducting fair and impartial investigations where necessary or advisable.
 - b. Taking prompt action in the event of inappropriate conduct.
 - c. Ensuring reporting parties and any workers who cooperate with the investigation are not retaliated against.
 - d. Ensuring efforts to mitigate liability do not conflict with or hamper the company's responsibility to protect affected parties and treat them fairly.
 - e. Where possible, confirming the satisfaction of affected parties in the resolution of controversies by soliciting their confidential feedback.
 4. Concrete action is required if there are a high number of value chain controversies, or a high number of controversies of a particular type, or if there are any disparities related to the affected parties. The

company should determine the most appropriate course of action based on its circumstances, which may include the following:

- a. Acting on any troubling patterns (such as particular types of issues frequently arising or controversies arising from the same department(s)), geographies, suppliers, business partners, or vendors).
 - b. Ensuring that controversies are resolved equitably, discipline is consistent, and no undue favor is given to any particular party.
 - c. Implementing or adopting one or more actions based on lessons learned, such as related to improving procurement practices and/or how controversies are handled and resolved.
5. When sharing value chain controversy data with the Board, follow the lead of your Legal team or counsel to ensure confidentiality and attorney client privilege are protected. (See Targets 1.2 and 1.3 on Board oversight.)

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- **Gap analysis** conducted of the number, types, status, and manner of resolution of value chain controversies over the last three years.
- Legal and/or procurement teams track value chain controversies, including the number, types, status, and manner of resolution, and demographics of affected parties.
- **Leadership** training conducted on preventing and effectively addressing value chain controversies, informed by any recurring issues in the company's context.
- Meaningful year-over-year reduction in value chain controversies.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with **senior leadership**.
- Data tracker with high-level stats of value chain controversies.
- Documentation of regular leadership training.
- Number and types of value chain controversies for the current year and past three years, with demographics of affected parties and status of resolution.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

Resources

[UN Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Frameworks](#) (United Nations Human Rights Office of the High Commissioner, 2011)

[The Corporate Responsibility to Respect Human Rights in Supply Chains](#) (Organisation for Economic Cooperation and Development, UN Secretary-General on Human Rights and Transnational Corporations and other Business Enterprises, June 2010)

[Principle One of the UN Global Compact: Human Rights](#) (Ten Principles of the UN Global Compact, UN Global Compact, accessed May 2024)

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