Creating Impact through Purchasing: Managing the Impact and Inclusion of Your Supply Chain

A company's impact extends far beyond its own walls. Purchasing and supply chain programs can promote inclusion in many ways, from ensuring the most vulnerable populations around the world have their human rights preserved to taking proactive measures to support transformative and purpose-driven companies. This guide is intended to provide guidance on the many ways companies, big or small, can leverage their purchases and supply chain to make a positive impact.

Specifically, this guide will show a company how to:

1. Find the right approach to impactful purchasing program by outlining your objectives and understanding relevant strategies and topics
2. Collect information about your supply chain efficiently
3. Develop smart policies and take meaningful steps to maintain and improve your impact
4. Make your impact purchasing program last through goal setting and transparency

April 2017 Edition
Regardless of how many employees you have or the type of product or service you sell, your company purchases products and services from other businesses, all of which are touched by a complex network of organizations and individuals who are affected by those purchases. Regardless of whether you are a product manufacturer or a service provider, this is your supply chain.

Across industries and companies of varying sizes, businesses are recognizing the need and opportunity to managing their supply chain and their purchases for their social and environmental impact.

We are a business that set out to make a positive impact on our community, the environment, and the global market. Screening our suppliers for inclusive practices is a standard that our company was founded on. We wanted to be sure that the message we send out into the world is backed all the way to the beginning of our supply chains.

Inesscents seeks out suppliers from underrepresented groups because we are also an underrepresented group. Supporting companies in this way is a symbiotic way to grow and strengthen our markets together.”

- Amber Ashley, Founder at Inesscents (Certified B Corp since 2008)

But while there is growing consensus about this opportunity for all businesses, there are many different ways that companies can approach how they manage their purchases and supply chain for social or environmental good.
### From an impact perspective, leveraging your supply chain to improve impact can:

- Ensure that human rights of workers from around the world are protected
- Provide business opportunities to purpose-driven businesses or businesses with traditionally underrepresented or marginalized ownership
- Reduce human health impacts or environmental degradation of products and materials
- Create economic equality and more flourishing local communities, particularly for disadvantaged regions or populations
- Engage and benefit underserved groups in ways that you might not be able to within your own operations

---

**“If it is too much of a challenge or a risk to move towards transformational D&I on your own, try first to outsource to companies who are doing it well. Even if you end up outsourcing indefinitely, you have still achieved the objective of including underrepresented groups in your business.”**

- Thomas Ng, Founder at Genashtim Innovative Learning (Certified B Corp since 2015)
For many companies, the potential positive impacts are enough, but even for the most purpose-driven company, it is also useful to establish and understand the business case for your company as well. Benefits to impactful purchasing include:

- Opportunities to differentiate from competitors and improve customer loyalty
- Reduced reputational risks from non-compliance
- Increased opportunity for innovation
- Improved employee engagement or productivity

Whether you haven’t ever considered the impact of your purchases, are looking to take a more formal approach, or hoping to review and improve what you’ve already been doing, managing the impact of your purchases and supply chain will take time and resources. How much time and how many resources will vary depending on exactly what you’d like to accomplish.

There are a number of interlocking and mutually reinforcing considerations as you determine your overall approach to impact purchasing and management.

First, you’ll need to identify the specific objectives of your program.

In order to do that well, or in order to create a clear path on delivering on your objectives, you’ll also need to identify what purchases and suppliers you’d like to cover, as well as what topics.

And finally, based on the above, you’ll need to identify the most appropriate methods to collect and potentially verify the information you need.

The following will take you through the various considerations as you create your own program.

**Establishing Reasonable Objectives**

In order to be clear about the best path forward, it is important to start by reflecting on and establishing your own objectives. To help guide you:

- **Conduct initial research** on other companies in your industry, or even companies already in your supply chain, to identify best practices or relevant topics for your supply chain management. In some cases, your suppliers may already have implemented programs in response to requests from other purchasers, which you can learn from.

- **Consider consulting with stakeholders** like customers, workers, community members, or non-profit organizations to identify the issues and topics that matter most to them and what they expect from the company in terms of their management and performance. This will help not only create internal accountability by making sure the right teams and individuals are involved, but also identify the needs of interests of outside groups who are impacted and who can drive value for the business.

- **Review the benefits mentioned above, both the potential financial benefits to the company and the social impact**, as well as any potential advantages not included in the above list, to identify benefits that will resonate most with the company and its stakeholders.
Consider developing a mission or vision statement for your impact purchasing program. This will help the company not only to clearly articulate its own objectives, making it easier to determine how to design and execute a plan, but will also create accountability among staff members and can be used as a mechanism for transparency with external stakeholders.

“We are committed to influencing the entire travel industry in considering the entire supply chain. We would like to see an industry where customers are choosing an airline for its low fuel consumption, a hotel in the developing world for its labor practices, a tour company that involves the local community and books them all with a travel agency that has the awareness and experience to guide them toward suppliers that have a positive impact on the world.”

— Karsten Horne, CEO of Reho Travel (Certified B Corp since 2014)

To the side are a list of generic “sample objectives” that your company can consider, clarify or elaborate on, and then prioritize.

**Sample Objectives**

There are a variety of reasons why a company would manage the impact of their supply chain, and the key is to know which ones apply to you.

Here is a list of sample objectives that can serve as a starting point for you to elaborate and clarify for your own circumstances:

- To attract new types of conscious clients
- To avoid reputational harm
- To protect vulnerable populations
- To keep up with competitors
- To lead in the industry
- To support women-owned businesses

To go through a more thorough exercise of turning your objectives into action, see the worksheet included as an appendix to this Best Practice Guide.

In order to help identify and clarify your objectives, or to take the next step into thinking about specifically what topics to cover and which suppliers it might be most appropriate to include, it may be helpful to think of impact management approaches across a spectrum from *risk based* to *impact based*.
**Risk based:** Focused on avoiding negative impact and reputational harm, such as with an emphasis on topics like human rights violations or violation of environmental laws.

Example: Screening suppliers for legal compliance, screening for child labor or other human rights violations

**Impact based:** Focused on the positive practices or attributes of a company above and beyond negative impact, such as innovative environmental management practices, job opportunities for the traditionally underserved, or ownership status from underrepresented groups.

Example: Sourcing from B Corp Certified companies, intentionally buying from women-owned businesses

Companies developing supply chain management programs can choose from and combine risk based and impact based approaches, as both may be necessary and appropriate in order to achieve your objectives.

Depending upon the objectives and approaches of your program, there are many pieces of data that could be relevant to your company, and you may want to limit programs to only a subset of your purchases or suppliers. It is useful to consider, based on your objectives, whether your programs or policies should be comprehensive or specific, both in what they cover as well as whom.

**Comprehensive:** Focused on overall performance or a broad collection of social and environmental issues; focused on all suppliers collectively across product categories, locations, industries, etc.

**Specific:** Focused on single attributes or issues that are relevant to the company or its stakeholders; focused on exclusive subsets or suppliers.

While comprehensive coverage might be an aspirational best practice for all companies, in many circumstances it is not practical and relevant for all purchases or suppliers.

In order to help assess these different approaches, it may be useful to review and/or map your current purchases and supply chain.

**Exercise: Conducting a Supply Chain Mapping**

When evaluating the best options for your own impact purchasing plan, it may be useful to start by conducting a mapping of your purchasing needs.

1. Review your company’s purchases in the past year, by quantity and product type.

2. Consider how purchasing decisions have been made in the past. What purchasing policies (if any) already exist?

3. Identify main product categories that are necessary for purchases and the geographic locations of suppliers and key purchases.

4. If relevant and available, identify the different ingredients or materials that go into the purchases from your suppliers and list them by industry and geography as well.
**What to Cover**

Determining what to cover, and how much, is about taking your high-level objectives and filling them in with content. With your objectives outlined you’ll be able to more clearly understand what you should be considering—or how to figure it out.

If you can’t reasonably consider all topics, the best way to identify what to cover is based on materiality—that is to say, how significant or important the topic is, particularly as it might be perceived by or affect certain groups. Consider:

*How material is the issue to our company and our stated objectives for our purchasing plan?*

Particularly if creating a risk-based approach, you should also consider:

1. *How material are certain topics to public stakeholders?*, and
2. *Are there primary issues of concern for our product category and industries?*

Below is a sample of material topics for specific industries to give you a sense of what topics might be worth considering. You can also rely on research from industry organizations, competitors, and even your own suppliers to identify the most material issues to your particular purchasing habits.

<table>
<thead>
<tr>
<th>Sample Industry</th>
<th>Material Issues</th>
<th>Common Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Accommodation</td>
<td>Greenhouse Gas Emissions</td>
<td>Local purchasing, retrofitting</td>
</tr>
<tr>
<td>Print Media</td>
<td>Sustainable Materials, Energy Use / Transportation</td>
<td>Recycled Materials, Certified Forest Products</td>
</tr>
<tr>
<td>Electronic Information</td>
<td>Materials, Energy Use, Labor Issues</td>
<td>Renewable Energy, Worker Training and Compensation</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>Waste, Emissions</td>
<td>Reduction or Reuse of Packaging</td>
</tr>
</tbody>
</table>

While industry-based approaches allow for greater detail, there is also value in identifying more universal criteria for evaluating suppliers, both for efficiency and to potentially maximize the coverage of your work.

The [United Nations Global Compact](https://www.unglobalcompact.org) Principles provide a commonly used comprehensive approach that can be applied to all businesses as well as used as a basis for any tailoring appropriate for your company’s objectives.
10 Principles of the United Nations Global Compact

While many potential frameworks exist to establish expectations for responsible business practices, perhaps none are as generally relevant and widely accepted as the core principles of the United Nations Global Compact. Companies can also be formal signatories to the compact, enabling one level of verification of supplier’s commitments to the principles included. The ten principles are:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

If your objectives outlined a clear intent to take a positive impact-based approach, then there is also the opportunity to consider a variety of additional topics, either individually for a specific approach or in combination for a more comprehensive assessment. These considerations are also sometimes known as “impact sourcing.” This could include:

- The ownership of the supplier, and whether they have any diverse ownership qualifications or certifications, like women-, minority-, or veteran-owned businesses.
- Proactive programs in the company to hire underrepresented individuals or operation in or support for low-income communities
- Positive environmental practices above and beyond the legal requirements of the jurisdiction that they operate
- Relevant company certifications or affiliations
- The mission or purpose of the organization, as well as its structure (non-profit, etc.)
Creating Impact through Purchasing

Impact Snapshot: Collaboration with Suppliers

**Fratelli Carli**
(Certified B Corp Since 2014)

Fratelli Carli, an olive-oil and gourmet food product company based in Italy, has developed a “Code of Goodness” in collaboration with their suppliers that includes company values, goals, and references to resources like the B Impact Assessment. They hosted several meetings with suppliers to define its structure, and once a year their suppliers take part in an all-day meeting at their headquarters, the so-called Giornata della Bontà: Goodness Day.

### Who to Cover

Similarly, questions of whom to cover in your purchasing program can also be comprehensive or specific, as well as be based on materiality. While it may be an aspirational best practice to include your entire supply chain in any efforts to manage impact, it is frequently necessary to make some choices around where to begin in your coverage, data collection, and screening. This is generally dependent, again, on the particular objectives of the program and the resources available.

For impact based approaches, if not taking a fully comprehensive approach, it is generally possible to limit the coverage based on efficiency, both to recognize resource limitations and to optimize the potential impact those incremental resources can make. These considerations can be made based on:

- Purchasing power and available alternatives. Being aware of how much you purchase from a supplier (and therefore how much potential influence you have), or whether there is the availability for positive alternatives, allows you to focus your efforts on parts of your purchasing that are actionable—that is, whether you could reasonably take your business elsewhere.

- Scope. Generally speaking, it makes more sense focus on screening those companies that comprise the largest part of your supply chain, rather than the long tail of purchases of smaller amounts. This can be done by cost or volume of purchases, such as by identifying the largest suppliers that comprise 80% of your purchases and focusing impact purchasing programs on those.

For risk-based approaches, companies should consider formal risk assessments to identify which purchases are the highest risk for issues like human rights violations or poor working conditions.

Risks can be assessed by industry, by geographic location, or by commodity, and can be visualized based on the severity of the concern and its likelihood.\(^5\)
In some cases, the greatest risks might actually lie in purchases that make up a small percentage of your total purchases, but still need to be prioritized.

To understand some of the specific risks that might exist in your supply chain, you can use the Responsible Sourcing Tool to both understand and visualize your risk from a industry and geographic lens.

More often than not, the substantive risks occur deeper in supply chains beyond who a company is immediately purchasing from. It is important to consider, therefore, whether or not your organization should (or can) understand the underlying impacts deep in your supply chain.

In many circumstances, the first step (and yes, it can be a real challenge) is simply understanding where your products are being sourced from. This is known as traceability.

**Traceability**
*(noun)*

The ability to identify and trace the history, distribution, location and application of products, parts, and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labour (including health and safety), the environment, and anti-corruption.6

---

**Impact Snapshot: Traceability and Transparency**

**Fairphone**
*(Certified B Corp Since 2015)*

Fairphone, a mobile phone producer based in Netherlands, is working to create a fairer supply chain, focused on the mining, design, manufacturing, and life cycle of their products. They have conducted a supply chain mapping to understand the origination of their raw materials and strive to improve the social and environmental conditions of each step in the chain.7 In order to see more information about their supply chain traceability, see:

Impact Snapshot:
Tracking Diversity

In many circumstances, exactly what you’d like to collect is also dependent upon how you collect it, or vice versa. For small businesses in particular, there may be natural concerns about attracting the attention of suppliers to get the information you’d like. So, what are the best ways to actually collect some of this information efficiently?

There are a variety of ways to collect the information that you need, some of which don’t need to be a burden on the suppliers themselves. Options include:

- **Self-conducted research.** Sometimes, it’s not even necessary to directly involve your suppliers, as frequently the information a company is looking for is publicly available. Depending upon the transparency practices of your suppliers, it may be possible to learn about the company’s mission, key social or environmental practices, relevant certifications, and other information simply by

**Alternative Approaches to Complex Global Supply Chains**

As supply chains have grown in their complexity, the risk of being unable to spot significant social or environmental issues has increased. As an alternative to implementing more traceability to manage those complex supply chains, there have also been efforts for companies to solve the issue by removing complexity from the supply chain altogether.

Two examples of this strategy, common in the food and commodity (e.g. coffee) sectors, are local purchasing and direct trade. In each, companies avoid the risk of complex supply chains by (1) purchasing locally from areas that are more clearly accessible by the company, thereby making it easier to verify their practices, as well as likely being located in places with greater regulatory protection and enforcement mechanisms for social and environmental issues, or (2) eschewing “middlemen” to engage directly with the original sources of the product, even if in a foreign market, in order to create a more collaborative relationship and be able to verify practices more efficiently.

These relationships can more directly benefit the commodity producers who are frequently at the “bottom of the chain,” and therefore frequently lose significant amounts of payment that would normally go to other distributors in the chain. While it can be difficult to implement either of these strategies at scale, they are particularly attractive for small businesses looking to manage their supply chain efficiently.

**Reflection Questions:**

- Are there identified risks and benefits to supply chain programs for your specific industry?
- Are other companies engaging in supply chain programs in your industry or region? What topics do their programs cover?
- What areas or subsets of your supply chain show the greatest opportunity for improvement or impact? The biggest risks to mitigate?

**Getting the Information You Need**

In many circumstances, exactly what you’d like to collect is also dependent upon how you collect it, or vice versa. For small businesses in particular, there may be natural concerns about attracting the attention of suppliers to get the information you’d like. So, what are the best ways to actually collect some of this information efficiently?

There are a variety of ways to collect the information that you need, some of which don’t need to be a burden on the suppliers themselves. Options include:

- **Self-conducted research.** Sometimes, it’s not even necessary to directly involve your suppliers, as frequently the information a company is looking for is publicly available. Depending upon the transparency practices of your suppliers, it may be possible to learn about the company’s mission, key social or environmental practices, relevant certifications, and other information simply by
reviewing the company’s websites or marketing materials.

- **Supplier surveys.** For information that is not publicly available, the company can choose to directly ask their suppliers for information on a regular basis. While they may be the most direct (and in some cases, most effective) method of gathering information about your suppliers, and they don’t need to be over-complicated, they may not always lead to responses and may not be the most efficient approach for suppliers themselves.

To access a draft supplier survey based on the B Impact Assessment that can be customized, click here.

- **Supplier visits.** Particularly if visits to suppliers are conducted already for other business reasons, in person opportunities to work together can also be used for fact finding around social and environmental impact. Face-to-face meetings can be more efficient for the suppliers themselves, and can be effective in circumstances of high risk of non-compliance or concerns about survey accuracy. Always be transparent with suppliers about your motives, however, and keep records of any information.

- **Third party audits.** Finally, for the highest level of verification and collection of information (but also the highest cost), you may be interested in utilizing third party verification services to ensure independent validation of information. Assurance providers for supply chain information include traditional accounting and assurance companies, sustainability consultants, and independent non-profits.

“**We give a detailed survey to each of our suppliers. When working with new supplies we have an RFI (Request for Information) which is a preliminary screening of practices. We then send an auditor from our team to do a site visit where we assess their responses to the RFI as well as to do a partial scope quality audit. Once we enter into a contract with a supplier, we audit them on a yearly basis, and there is a section of the audit based on human rights and labor practices. We also use SEDEX which is a self-assessment questionnaire that we require all suppliers to take, this assessment also encompasses human rights and labor practices.**”

- Marykate Mahor, Mission and Marketing Director at Happy Family (Certified B Corp since 2011)
It should be recognized that asking for this type of information from suppliers is not always met with gratitude. Suppliers may have concerns that surveying them around certain topics is too time consuming, does not provide direct value to them, or signals a lack of trust in them. They may also be unclear about how the results may be used and hesitant to provide information that they may deem sensitive.

Even for those open to significant transparency, if many of their clients are asking for wide-ranging types of data, they may be faced with a significant reporting burden. In order to deal with the challenges that a supply chain management program might pose for your suppliers, consider doing the following:

- Be transparent about why you are asking for information, its importance, and how that information will be used. Suppliers might be concerned about losing your immediate business; clarify that the information is for better understanding and managing your relationship.

"It's essential that our partners hold certifications for materials and processes used in their products or are able to illustrate that artisan groups, farmers, and other workers along the supply chain experience humane, safe, and fair working conditions."

- Stephanie Hepburn, founder at Good Cloth (Certified B Corp since 2016)

Creating Impact through Purchasing
Using Third Party Certifications for Efficiency and Verification

One of the easiest ways to incorporate impact into your purchasing and supply chain is to rely on third party certifications. The good news: there are a lot out there. The bad news: there are a lot out there.

In order to find the right certification, look for the ones that match your values and objectives, are relevant to your industry, and match the level of credibility that you are looking for. Organizations like the ISEAL Alliance provide guidance on what to look for in a credible certification. In general, consider the certification's:

- Independence: Who is developing the standard and are they free of conflicts of interest?
- Transparency: Is it clear how the standard was developed, who is involved, and how interested stakeholders can contribute?
- Verification: What level of verification is required for a company to receive the certification and how frequently are they assessed for compliance?

See the resource appendix for a sample list of relevant certifications.

Crowdsourcing Supplier Information

New technologies are creating opportunities to collect and verify data about suppliers from their stakeholders. Companies can learn about a supplier's labor practices by engaging directly with workers themselves. For an example, see Labor Voices.
● Make use of third party standards, and keep more custom reporting to a minimum. This not only brings efficiency for your organization as you do not need to develop your own standards, but it also makes it easier for the supplier as the information used can be repurposed and shared with other purchasers using the same standard.

Impact Snapshot: Using Established Standards

Bancolombia

In 2016 Bancolombia, the largest bank in Columbia and the third largest in Latin America, started using the B Impact Assessment and B Analytics software for measuring the social and environmental impacts of 150 of its key suppliers in order to enhance the positive impact of the bank and its supply chain.

● Model your own data collection with other companies, or even "draft" off of existing supply chain screens in your industry. Reviewing supply chain screens from larger competitors is not just a learning opportunity for your company, but also makes reporting simpler for your suppliers.

● Look for partnerships and collaboration. In the apparel industry, companies joined together to create a set of consistent standards in the HIGG Index, recognizing that collective efforts could drive more effective change. Elsewhere, collaboration can also be used to share resources around verification or data collection, as in the case of tools like Sedex or the B Impact Assessment, where one standardized set of data can be shared across a variety of interested parties.

Caution: When exploring potential collaboration or partnership, be conscious of information that is being shared and the nature of the collaboration in order to avoid potential regulatory anti-trust issues.

"As we grow our supplier base, we always make sure to keep inclusion at the forefront of our selection process. This has enabled us to establish a closer relationship with our suppliers from its inception as we make sure they are aware of the criteria for the selection process.”

- Jaime Salm, Creative Director at MIO (Certified B Corp since 2016)
In addition to making the process of data collection efficient for suppliers, you may also consider how to make the collection mutually beneficial. As always, the benefit can be from both an impact perspective, by providing them the opportunity to improve their own practices, or from a financial perspective.

Your program can highlight the potential business benefits of strong social and environmental practices in general or create specific ways to incentivize data collection and improved performance in your supplier relationships by providing favorable contract terms or increased purchases for high performing companies over time.

Reflection Questions:

- Who are your key suppliers? Which ones would be most appropriate to incorporate into a supplier impact management program?

- Are there industry organizations that you are a part of that have sustainability programs, or that you could collaborate with to start one?

- What is the nature of your current relationships with your suppliers, and how might that influence your supplier program? Do you have enough influence to collect your own data, or is it more appropriate to identify other methods?

- What type of information would be appropriate to collect to meet your own programs goals? Are there third party standards or certifications that match those goals well?

Putting Supply Chain Information Into Action

Data collection, no matter how comprehensive, only becomes useful when it’s used to inform and improve decision making. Fortunately, companies can incorporate impact into purchasing and supply chain management in several different ways. The execution of your purchasing program can require limited direct involvement of your suppliers or be incorporated directly into the more intensive methods of data collection highlighted above.

Developing Preferential Purchasing Policies and Programs

In order to formalize your practices, involve relevant team members, and ensure that impact based supply chain purchases last over time, the best (and often most straightforward) approach is to develop formal preferential purchasing policies. These policies can cover information that is publicly available or collected through direct engagement with the company. Policies can be risk or impact focused, as well as comprehensive or specific, and can include preferences for:

- Minority, women, veteran or other underrepresented group owned business (for a list of resources and certifications see the resource appendix).
Impact Snapshot: Preferential Purchasing Policy

Eudaimonia
(Certified B Corp Since 2012)

Here is an excerpt from the purchasing policy of Eudaimonia, an impact investor and consulting company based in Alberta, Canada:

"Whenever possible, Creating Eudaimonia and its executives will make business purchases from local and/or independent businesses within a 322km radius of our office in Calgary, AB. This will include all business-related purchases such as office and furniture supplies, food and drink, business services such as website development, accountants, lawyers, and marketing specialists and so on.

We will continually seek independent suppliers that have a strong and transparent commitment to the highest social and environmental standards. As our operations grow, we will work with our suppliers, customers and employees to continually improve their understanding and their own commitment to these purchasing decisions.

Websites and resources like www.live-local.ca, www.VibrantCalgary.com, & www.ReapCalgary.com allow us to find and share great local places to shop, eat, work and play. We encourage the expansion of these types of programs in our city."

Created: October 2012 Updated: June 2015

When crafting your policies or programs, there a few key elements to maximize their efficacy:

- Be as clear as possible in your objectives. For all preferences, define your terms. For instance, provide a specific definition for a "local" supplier, either via specific mileage or specific location (e.g. being based in the Santiago, Chile, metropolitan area).

- Base your preferences on what's available in the market. While you might want to buy Fair Trade Certified paper, it might not yet be available. Be sure to review the products and certifications available in the market to make sure your preferences are relevant and realistic.

- Share your policies widely. Developing a policy and burying it in a manual somewhere is the most effective way to have your policy ignored. Provide trainings with relevant staff members; make sure all relevant parties are aware of the policy and held accountable to following it.
Creating Impact through Purchasing

- Include procedures, not just preferences, in the policy to provide clarify about how team members should go about enacting it. Providing processes adds extra detail and guidance that will make it easier, and more likely, for purchasers to achieve meaningful results. This can include procedures to determine when the preference need not be acted upon.

- Engage in “pre-sourcing” by forecasting purchase needs, being proactive about identifying companies that meet your preferences, and utilizing or developing databases or list of qualified companies. 

- Consider creating programs to help support underrepresented businesses, beyond just purchasing from them. This can help address any concerns about a lack of companies at a scale and sophistication to meet your purchasing needs, can build longer-lasting and more stable supply chains, and maximize your overall impact.

- Set goals. While a preferential policy is not a strict requirement, setting goals of how many purchases should fulfill the policy will help it be more effective. For instance, setting a goal to have 25% of all purchases come from minority-owned businesses makes a preference for minority-owned suppliers more concrete and actionable.

**Directly Engaging with Suppliers:**

Separate from a preference for certain businesses, it’s also possible to engage with suppliers directly. A common method is to establish a supplier code of conduct.

### Supplier Code of Conduct *(noun)*

Document outlining the rules and expectations for suppliers of a company, including topics like legal compliance, non-discrimination, and environmental management.

You can base a supplier code of conduct on the analysis and mapping you've already conducted on your objectives, current supply needs, and potential risks. Remember these considerations for a supplier code of conduct:

- Have suppliers sign or acknowledge that they have received it and are in compliance. As in the earlier discussion of data collection, you can also opt for more rigorous requirements to ensure compliance and verification, including company or third-party audits.

- Determine procedures to address non-compliance. Depending on the nature of the non-compliance, it might be excessive or inefficient to immediately stop purchasing from a supplier; other options, like increased screenings, required remediation or probationary periods, or even disincentives in your trade terms may be appropriate. Be clear and transparent with suppliers about the potential ramifications of non-compliance; this helps to demonstrate the importance of the code itself.

- Consult your suppliers as the code is developed. This can be a learning opportunity for your company, both in terms of identifying different best practices and potential limitations, as well as an opportunity to foster a sense of collaboration in the supplier relationship.
Supporting Improvement

Companies can go further than creating preferences or supplier codes of conduct; your company can actively encourage and support your suppliers’ improvements. This could include: (1) providing support to help companies become compliant with your code of conduct, (2) providing other support for suppliers to go above and beyond minimum requirements and improve their impact overall, or (3) providing technical support or capacity-building to businesses in need.

When managed effectively, support programs to encourage suppliers to improve their practices can not only strengthen relationships between your company and the supplier, but also create opportunities for deeper collaboration and partnership, providing a benefit to both parties.

There are many ways that companies can get started providing support for improvements:

- Incorporate learning into other engagements. If your company is already conducting visits or audits to verify certain aspects of performance, review your process to identify ways to incorporate recommendations, advice, and resources as a part of it.

- Provide incentives. To make it worth their while to have your

## Summary: Preferential Policies vs. Supplier Codes of Conduct

<table>
<thead>
<tr>
<th>Preferential Policies</th>
<th>Supplier Code of Conduct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used to determine who to purchase from</td>
<td>Used for current suppliers</td>
</tr>
<tr>
<td>Indicates aspirational practices or attributes</td>
<td>Establishes minimum standards of performance</td>
</tr>
<tr>
<td>Can be risk or impact focused</td>
<td>Primarily risk based</td>
</tr>
<tr>
<td>Supplier involvement not required (depending on content)</td>
<td>Requires supplier acknowledgment and engagement</td>
</tr>
<tr>
<td>Can be used for service providers and others</td>
<td>Most frequently used for product manufacturers or retailers</td>
</tr>
</tbody>
</table>
supplier invest in improvements, have your company do the same in order to create lasting behavior change. This can include improved trade terms, such as larger purchases, longer-term commitments or contracts, or price premiums.

- Determine what methods of support are reasonable and appropriate. This could include providing consulting for suppliers and directly using your own company’s expertise, providing resources and sharing knowledge (like these guides!), or providing webinars or trainings.

- Pilot. You don’t need to start with all of your suppliers at once. Instead, identify an initial set of suppliers to directly engage with, either based on your prior relationship, their interest in such a program, or their specific needs to support. Your data collection efforts can be used not only to identify suppliers who would be good fits for such a program, but also to identify particular improvements to work on.

- Collaborate. In many cases, the support for your suppliers and their practices might not need to directly come from you. You can identify non-profit organizations or other partners to provide access to resources and expertise. You can also tap into your own supplier network to have them collaborate and share best practices with one another. Just as your data collection can identify collective gaps to work on with your suppliers, it can also identify notable best practices in your supply chain that could be used to share with others.

### Sample Support / Trainings

**Impact Focused:**
- Data Collection
- Health and Safety
- Environmental Management
- Code of Conduct Compliance
- Diversity and Inclusion

**Business Focused:**
- Quality Assurance
- Financial Management / Accounting
- Marketing
- Capital Raising
- Executive / Leadership Development

---

Impact Snapshot: Improving Supplier Impact

**Seventh Generation**  
(Founding Certified B Corporation)

After having suppliers complete the Quick Impact Assessment in 2015, the next year Seventh Generation asked them to identify one topic for improvement.

They have been active in the process by helping develop plans and programs for improvement, including hosting supplier days that allow suppliers to connect with one another and share best practices, helping them identify low cost improvement opportunities, and connected them with third party consultants.¹¹

To learn more, see [here](#).
Creating Impact through Purchasing

“...To help the Rwandan coffee cooperative we worked with improve their coffee and be able to participate in the ever more sophisticated craft coffee market place where the good money was to be earned, we brought the Rwandan coffee coop leaders to Nicaragua to visit their cooperatives and meet the members, and to learn about how quality and price had been impacted by knowing what each individual farmer is bringing to the coop. Similarly, we facilitated the visit of our Ugandan coop coffee farmers with whom we were working to visit their neighbor country, Rwanda to see their best practices washing stations. Such cross pollinating experiences served to inspire our relationships and add dimension to the idea of coffee farming...”

- Joan Katzef, Co-Founder and COO at Thanksgiving Coffee (Certified B Corp since 2015)

Particularly in the context of providing support to underserved businesses, be conscious of your company's own practices regarding its engagement with suppliers and how they may contribute to the success and stability of suppliers, either positively or negatively.

Ask:

- Does your company have irregular purchase patterns or sudden changes in their purchasing, or do you order consistently and far in advance? Are there advanced purchasing contracts?
- How is pricing determined? Are premiums provided to suppliers or determined fairly or collaboratively?
- Does your company pay on time and consistently in order to provide stable cash flow for the supplier?

Reflection Questions:

- What would be the most efficient way to make decisions about your supply chain impact that is aligned with your objectives?
- What resources would be necessary to help companies you purchase from inform their impact?

Maximizing Impact and Making It Last

While initial steps towards an impact management program for your supply chain can be implemented in the near term, it will require consistent effort on the part of the company over time to manage and improve its performance. Additional components to your strategy like supply chain transparency and reporting, goal setting, or collaboration and partnership can maximize your positive impact over time.
Creating Impact through Purchasing

Transparency and Reporting

After you've gone through the efforts identified above to map your supply chain and gather information about your performance, making information transparent may not require significant additional work. It will, however, increase accountability to supply chain performance and the trust and engagement of stakeholders. In some jurisdictions and for some companies, reporting on supply chain issues is becoming a regulatory issue, such as the Modern Slavery Act in the United Kingdom.

When considering reporting on suppliers or your overall supply chain, you should:

- Consider the appropriate level of transparency. Some companies make information about individual suppliers transparent, while others share supply chain information in aggregate with individual company information anonymized.
- Share strategy and methods as well as raw data. Don’t just share numbers without context; discuss how the information is being collected, how the information relates to your policies or preferences, and how it’s being used.
- Consider including grievance mechanisms as a means to gain information about suppliers, address potential non-compliance, and engage with stakeholders to learn and improve.
- Highlight success stories in the supply chain that can be shared more broadly.

Impact Snapshot: Supplier Transparency

**Patagonia**
(Certified B Corp Since 2011)

Patagonia, the outdoor apparel company, makes the source of all their manufactured goods transparent through its "Footprint Chronicles." Each product on their website links to information about the suppliers that were involved in the production of that product, including a description of the company, their size and location, as well as their gender mix.¹²

For more information about transparency more broadly, including how to understand and balance some of the initial risks associated with it, see our *Building Accountability Through Transparency* Best Practice Guide.

Setting Goals

Whether kept internally or shared publicly as part of your transparency and reporting, the best method of improving performance over time is to create realistic yet aspirational targets for your supply chain.

If your company were focused on increasing the diversity of ownership in your supply chain, example targets could include:
Creating Impact through Purchasing

- # of minority-owned/underrepresented suppliers at the outset of the program, and then on an annual basis
- $ spent with minority-owned/underrepresented suppliers at the outset of the program, and then on an annual basis
- Measuring the overall value of opportunities offered to minority-owned/underrepresented suppliers over a set time period
- # of minority-owned/underrepresented suppliers included in the RFP/RFI stage of tenders offered, # of minority-owned/underrepresented suppliers who go through the full tender process and are shortlisted

"We target 25% supplier diversity, particularly focused on supporting women and minority owned businesses like Wedge 15 Inc. & Gabriel PR. This way our consultants and suppliers provide a more inclusive lens for us to reflect on our business programs. We know there are more underrepresented groups beyond women and minority businesses but this target gives us a clear foundation to start building up our inclusion practices."

- Andrew Garrett, Founder at Beyond Proformas (Certified B Corp since 2016)

Targets should be based on the objectives of your supply chain program and should be integrated into any additional inclusion or sustainability strategies within the company as much as possible. In order to promote accountability to those targets, consider:

- Identifying individuals or a team in the organization that are specifically responsible for meeting targets
- Incorporating targets into performance reviews and or performance-based compensation such as bonuses
- Ensuring executive-level involvement in target-setting and accountability mechanisms
- Sharing targets and reporting on them externally for additional public accountability

**Collaboration and Partnership**

As highlighted above, opportunities to collaborate and partner with other organizations not only provide a means to efficiently address supply chain issues and address coordination challenges, but also create opportunities to amplify the impact of your organization by enabling other companies to follow suit. Beyond simply meeting transparency goals, consider how you could share the successes and challenges of your own efforts regarding supply chain and in turn identify companies who have had similar experiences and challenges to brainstorm and potentially collaborate on solutions.
Creating Impact through Purchasing

Whether through the efforts of your company alone, or through collaborative engagement with other businesses or organizations, managing impact of your supply chain can produce tangible improvements to lives of hundreds, thousands, and even millions of people, and can both reduce the risks to your company and leverage additional opportunities to attract customers, employers, and partners. Now is always a good time to get started or improve on what you’re already doing!

Reflection Questions:

- Where would you like the impact of your supply chain to be in five years? In ten years?
- What organizations or collaborations would help make your work more efficient or more impactful?

Appendices: Reference Master List, Approaches to Impact Purchasing Worksheet, Who and What to Cover Worksheet

Did you find this resource guide useful? Do you have feedback on how it can be improved, or ideas for other resources we can provide? Let us know what you think at standards@bcorporation.net.

Endnotes:
1. http://www.investopedia.com/terms/s/supplychain.asp#ixzz4cHL0FVAn
3. https://www.bcorporation.net/community/reho-travel
Appendix: Reference Master List

Looking for resources, examples, and other guides to refer to while crafting or improving your purchasing program? These should get you started.

**Basic Resources**

These resources give an overview of the standard state of supply chain management and offer sample frameworks and calculators you could use to get started.

- BSR Traceability Report
- UNGC Supply Chain Report
- Supplier Work Book
- Verite
- Fair Wage Calculator
- Responsible Sourcing Tool
- Maplecroft Maps
- ISO 20400
- Fairware’s B2B Supply Chain Guide

**Certifications**

If you’d prefer to outsource verification and auditing to third-party standards, you may want to consider incorporating any of the below certifications into your screenings.

- B Corp Certification
- Fair Trade
- Rainforest Alliance
- FSC
- SA8000
- UTZ Certification
- Organic Certification

Check out the “Eco Label Index” for a more comprehensive list.

**Underrepresented Business Resources**

If you’d like to diversify the ownership of the companies in your supply chain, you can start by exploring the ownership certifications and membership organizations in your region. Here’s a sample of some relevant organizations.

- Diversity Information Resources
- National Minority Supplier Development Council (NMSDC)
- Women’s Business Enterprise National Council (WBENC)
- Disabled Veteran Business Enterprise Participation Program (DVBE)
- Historically Underutilized Business Zone Certification (HUBZone)
- United States Hispanic Chamber of Commerce
- United States Pan Asian American Chamber of Commerce
- National Congress for American Indians
- Business Consortium Fund
- Connxus
- WBE Certification
- MBE Certification
- LGBTBE Certification
- DBE Certification
- VBE Certification
- WBE Certification (Canada)
- CAMSC Certification
- WBE Certification (Europe)
- EMB Certification (UK)
- Black Economic Empowerment (South Africa)
Collaborations

If you’re interested in collaborating with other companies in your sector or seeing what collaborative standards already exist, check out these existing ones for inspiration.

<table>
<thead>
<tr>
<th>Collaboration</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIM-Progress</td>
<td>Branded consumer goods</td>
</tr>
<tr>
<td>Business Social Compliance Initiative</td>
<td>Retailers, importers, and brands</td>
</tr>
<tr>
<td>Electronics Industry Citizenship Coalition</td>
<td>Electronics, retail, auto, and toys</td>
</tr>
<tr>
<td>Ethical Trading Initiative</td>
<td>Cross-industry</td>
</tr>
<tr>
<td>Fair Labor Association</td>
<td>Consumer goods</td>
</tr>
<tr>
<td>Global Impact Sourcing Coalition</td>
<td>Cross-industry</td>
</tr>
<tr>
<td>Global Social Compliance Programme</td>
<td>Cross-industry</td>
</tr>
<tr>
<td>ICTI Care</td>
<td>Toys and entertainment</td>
</tr>
<tr>
<td>Pharmaceutical Supply Chain Initiative</td>
<td>Pharmaceuticals and healthcare</td>
</tr>
<tr>
<td>Railponsible</td>
<td>Railway</td>
</tr>
<tr>
<td>Social Accountability International</td>
<td>Cross-industry</td>
</tr>
<tr>
<td>Sustainable Apparel Coalition - Higg Index</td>
<td>Apparel, footwear, and home textiles</td>
</tr>
<tr>
<td>Sedex</td>
<td>Cross-industry</td>
</tr>
</tbody>
</table>

Sample Documents

- Draft supplier survey of questions pulled from the B Impact Assessment [download]
- Social accountability standards from MaCher, a Certified B Corporation [download]

Have a purchasing policy, supplier questionnaire, or code of conduct to share? Email us at standards@bcorporation.net and we’ll add your resource here!
Worksheet: Your Impact Purchasing Management Approach

To choose the right approaches and topic areas for your company’s impact purchasing plan, start by clarifying your objectives. Review pages 4-6 of the guide and identify three primary objectives for your purchasing program. You can refer to the below sample objectives or come up with your own.

<table>
<thead>
<tr>
<th>Sample Objectives:</th>
<th>Company Objectives:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting conscious clients</td>
<td></td>
</tr>
<tr>
<td>Avoiding reputational harm</td>
<td></td>
</tr>
<tr>
<td>Protecting vulnerable groups</td>
<td></td>
</tr>
<tr>
<td>Keeping up with competitors</td>
<td></td>
</tr>
<tr>
<td>Leading in the industry</td>
<td></td>
</tr>
<tr>
<td>Supporting underrepresented businesses</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

Based on your identified objectives, plot them on the following spectrum. Which are more risk based, and which are more impact based? How would you prioritize them?

<table>
<thead>
<tr>
<th>Risk-Based</th>
<th>Impact-Based</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Where are most of your objectives clustered? Do you lean toward one approach, or will you need a combination to reach your goals? How will these objectives and approaches affect the topics and suppliers you choose to focus on?
Worksheet: What and Who to Cover

Review a sample of risk and impact based topics and identify the topics that are most relevant to your company and your overall approach.

<table>
<thead>
<tr>
<th>Sample Risk Based Topics</th>
<th>Sample Impact Based Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td>Underrepresented Ownership</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Inclusive Hiring Programs (for low income or chronic barriers)</td>
</tr>
<tr>
<td>Discrimination</td>
<td>Positive environmental practices</td>
</tr>
<tr>
<td>Environmental Hazard Management</td>
<td>Company certifications (specify)</td>
</tr>
<tr>
<td>Legal Compliance</td>
<td>Company mission / purpose / legal structure</td>
</tr>
<tr>
<td>Corruption</td>
<td>Other (please specify):</td>
</tr>
<tr>
<td>Other (please specify):</td>
<td></td>
</tr>
</tbody>
</table>

Review the topics you've identified and consider which suppliers it would be appropriate to collect from, the best approach to gathering information about them, and what level of verification is necessary.

<table>
<thead>
<tr>
<th>What Suppliers?</th>
<th>Public (e.g. website)</th>
<th>Supplier Surveys</th>
<th>Supplier Site Visits</th>
<th>Third-Party Audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Topic 1:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topic 2:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topic 3:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topic 4:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>