

# VBDO Responsible Supply Chain Benchmark 2014

A comparison of responsible supply chain practices of global multinationals





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Disclaimer

The contents, conclusions and recommendations of this report are the sole responsibility of the VBDO.

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# Foreword



The VBDO Responsible Supply Chain Benchmark of 40 multinationals is the oldest benchmark of the VBDO. Over this period we have witnessed an increased level of interest and focus on responsible supply chain management. Initially not a key point on the agenda of multinationals, most companies now are actively working on this issue, both for internal and external reasons.

The main objective with this benchmark has always been motivating companies to elevate sustainability standards by converging to more responsible supply chain management practices, and we believe that the new methodology we have introduced this year raises the bar.

In this 9th year of The Responsible Supply Chain Benchmark we have made substantial revisions. The benchmark is sector based and we have added foreign companies to put the (sustainable) supply chain management of Dutch multinationals in an international perspective.

Going forward is it our hope that this benchmark serves not only as a measure of responsible supply chain management of multinational companies but as a tool to enable improvements in this area of sustainable development.

As mentioned last year, we have expanded the scope of companies examined in the analysis as we hope to expand our perspective on supply chain issues and behaviours, in addition to learning from the best practices discovered in the process.

This year we have gone beyond the borders of the Netherlands into Europe in our quest to make the benchmark more international; and going forward we hope to expand the scale and scope even further. We proudly present the results of the Responsible Supply Chain Benchmark 2014 and would like to thank ICCO Cooperation for making the research possible.

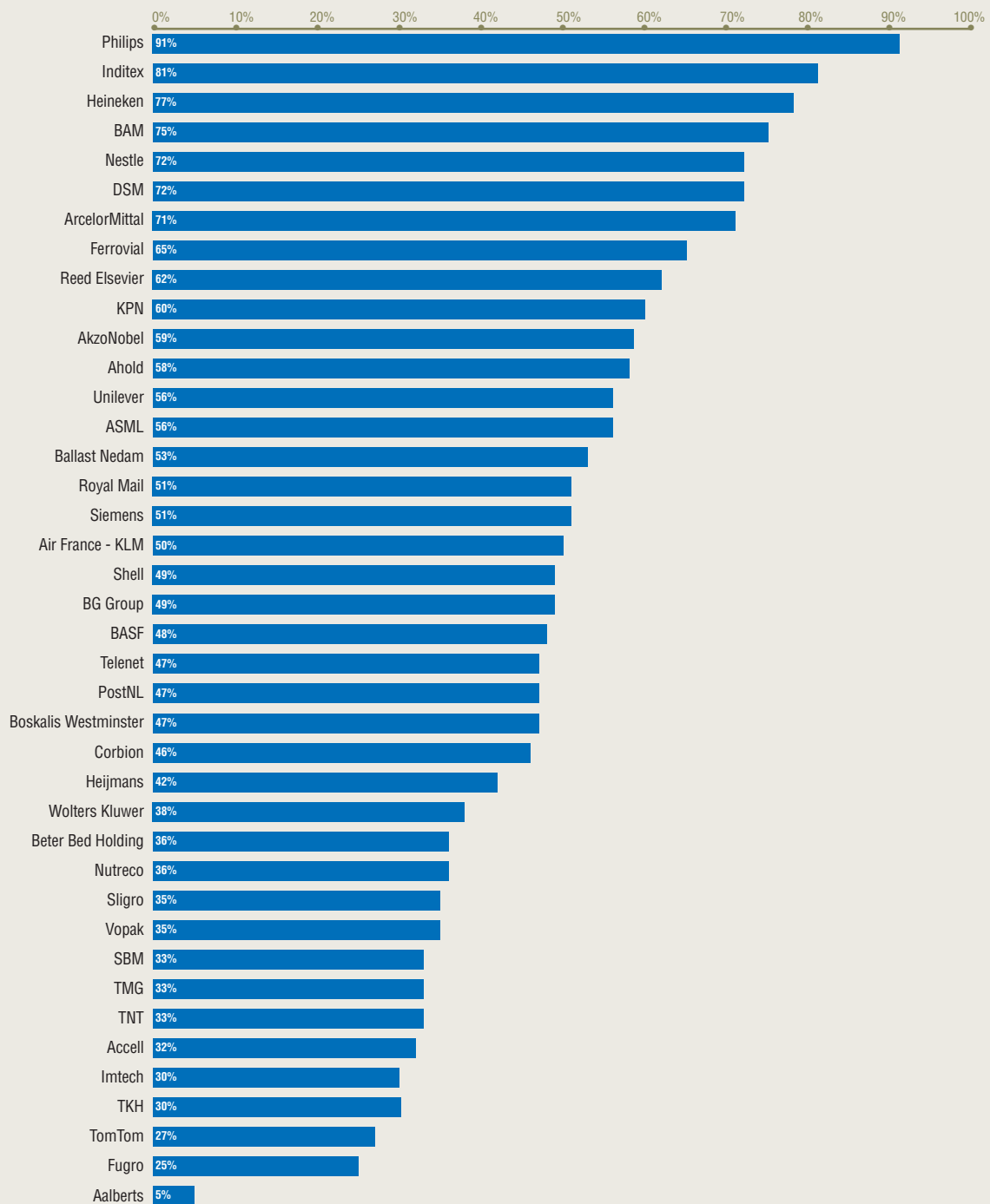
Giuseppe van der Helm  
Executive Director VBDO

# Responsible Supply Chain Benchmark 2014: Overall Ranking

This is the final ranking of the Responsible Supply Chain Benchmark (RSCB) edition of 2014. Please note that the three sections constituting the benchmark have different weights in influencing the final score. Due to going towards a more sectorial approach in the coming years, in this year's edition

of the Benchmark four sector winners are announced: Philips; Inditex; Heineken and Royal BAM Group, all scoring above 75%.<sup>1</sup> The foundations of this ranking are elaborated throughout this report.

**Figure 1:** Ranking RSCB 2014



<sup>1</sup> Please refer to the appendix C of this report.

# Executive Summary

## About this report:

This is the ninth annual edition of the VBDO Responsible Supply Chain Benchmark, a comparative investigation into corporate social responsibility in the supply chain of multinational companies.

The basis of the analysis is on 3 broad supply chain sections, subdivided in 46 specific criteria:

- **Policy & Governance;**
- **Management & Implementation;**
- **Outcomes.**

### Example criteria of the assessment:

- **Supplier code of conduct;**
- **Monitoring and supervision of suppliers;**
- **Materiality analysis;**
- **Stakeholder engagement;**
- **Human and labour rights;**
- **Non-compliance policies.**

### 32 Dutch multinationals:

- 1) Publicly listed in the largest Dutch Indexes
- 2) Size in revenues

### 8 RobecoSAM leaders:

- 1) European (non-Dutch) companies
- 2) Coming from compatible RobecoSAM sectors
- 3) Best performance class (Gold > Silver > Bronze)

### Included sectors:

- **Communications;**
- **Technology & Electronics;**
- **Construction;**
- **Food & Beverage;**
- **Industrial & Chemicals;**
- **Oil, Gas & Maritime;**
- **Retail;**
- **Logistics.**

## Section Analysis

A first analysis was conducted on the 40 participants based on the three sections of assessment:

### Governance & Policy:

90% of companies possess a CSR strategy directly related to RSCM.

### Management & Implementation:

50% of companies possess a well-developed materiality analysis;  
42% of companies possess a certified environmental management system;  
35% of companies possess a certified social management system.

### Outcomes:

Only 25% of the companies report on procurement training;  
30% of companies report in detail which types of grievances were dealt with and how they were resolved.

## Sector Analysis

Following the section analysis, the 40 participants were assessed on a sector basis on three main key issues of supply chain management:

- **Supplier code of conduct and non compliance approach;**
- **Monitoring and auditing of suppliers;**
- **Outcomes of non-compliance.**

### Supplier code of conduct:

Commendable results, all the participants possess a code of conduct that is enforced on suppliers.

Furthermore, 65% of the companies possess corrective action plans for non-compliant suppliers.

Only 15% of the participants disclosed information regarding a stratified non-compliance approach.

### Monitoring and auditing of suppliers:

90% of the participants state to possess a monitoring/auditing system to address supplier compliance.

However, only 20% conduct full scope supervision by also clearly including sustainability criteria.

### Outcomes of non-compliance:

There is still much room for improvement, as only 20% of the companies provide in depth information on their suppliers' instances of non-compliance.

## Ranking and Performance

Traditionally there has been 1 winner of the Responsible Supply Chain Benchmark, but as the focus shifts to a more sector oriented approach, this year's winners come from 4 sectors and fulfil the criteria of achieving an aggregate score of 75% or higher. The Jury nominated the 4 winners of this year's RSCB on the basis of the research conducted to produce this report and a due diligence assessment to ensure that the 4 nominees are not involved in any controversy related to environmental and social aspects.

Company	Sector	Score
<b>PHILIPS</b>	<b>Technology &amp; Electronics</b>	<b>91%</b>
<b>INDITEX</b>	<b>Retail</b>	<b>81%</b>
<b>HEINEKEN</b>	<b>Food &amp; Beverage</b>	<b>77%</b>
<b>ROYAL BAM GROUP</b>	<b>Construction</b>	<b>75%</b>

Some of the front-runners' positions have changed in comparison to 2013, especially with the introduction of the European peers. This is also attributable to a new section for Outcomes, which is a more quantitative measurement of how the companies are performing, based on their policies and resulting implementation of those policies.

## Recommendations

As a consequence of the research, the following recommendations, applicable to all participants, were provided:

- Simple supplier trainings are no longer sufficient. Companies should tailor their training procedures according to specific Environmental, Social and Governance issues represented in the companies' chains. Trainings should be focused on capacity building and coaching in order to eradicate supplier-related issues from their roots.
- Companies should establish and promote the use of grievance management systems to ensure that in case of breaches at the supplier level, the suppliers, its employees and local communities feel empowered and protected to signal those.
- Transparency on monitoring and auditing measures enforced on suppliers are of utmost importance and official documentation should report at least on: types of suppliers groups audited, frequency, non-compliance rates and actions following up cases of non-compliance.
- Companies should provide the right support to non-compliant suppliers, and be clear and realistic in the expectations and timelines required to improve suppliers' behaviour up to the company's standards.
- It is advised to provide clear targets regarding environmental and social performance objectives and targets as well as timely updates on target advancement or achievement.



# 1 Introduction

## 1.1 About the VBDO

The VBDO is the Dutch Association of Investors for Sustainable Development. It aims at creating a more sustainable capital market. For that purpose VBDO works with parties on the supply and demand side of the capital market to improve their sustainability performance. As such, the VBDO actively engages with the Board of Directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the company's sustainability performance. The association does this with the support of its members, i.e. 80 institutional and over 600 private investors. The institutional VBDO members consist of Dutch banks, a set of insurance companies, pension funds, consultancy firms, including the big four consultancy and accountancy firms, non-governmental organisations and labour unions.

## 1.2 About this Report

During the course of 2014, the VBDO renovated the methodology of the Responsible Supply Chain Benchmark (RSCB). This report serves to highlight the main results of the findings discovered through the execution of the new methodology, based on companies' publicly available information. The renovation process brought changes both at the core structure of the assessment and at the company selection level, of which we kindly invite you to the Appendix section of this document to access further information, and our website to access a full overview of the changes<sup>2</sup>.

### VBDO'S core activities

- **Actively engaging**
  - With the board of directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the companies' sustainability performance
- **Initiation and identification**
  - Of sustainability and Responsible investment trends
- **Research and reporting**
  - On sustainability and responsible investment themes
- **Organization of multi-stakeholder dialogues**
  - Towards improved sustainability and responsible investment performance
- **Performing engagement activities**
  - On behalf of institutional investors on the sustainability performance of selected companies
- **Organisation of Sustainability and Responsible Investment**
  - Related conferences

### Structure of the report

- **CHAPTER ONE**
  - Introduces the VBDO and the report
- **CHAPTER TWO**
  - Provides an overview of the results of the section analysis
- **CHAPTER THREE**
  - Provides an overview of the results of the sector analysis, based on three key issues of supply chain management
- **CHAPTER FOUR**
  - Conclusions and recommendations based on the topics discussed in the report

<sup>2</sup> Our website: <http://www.vbdo.nl>

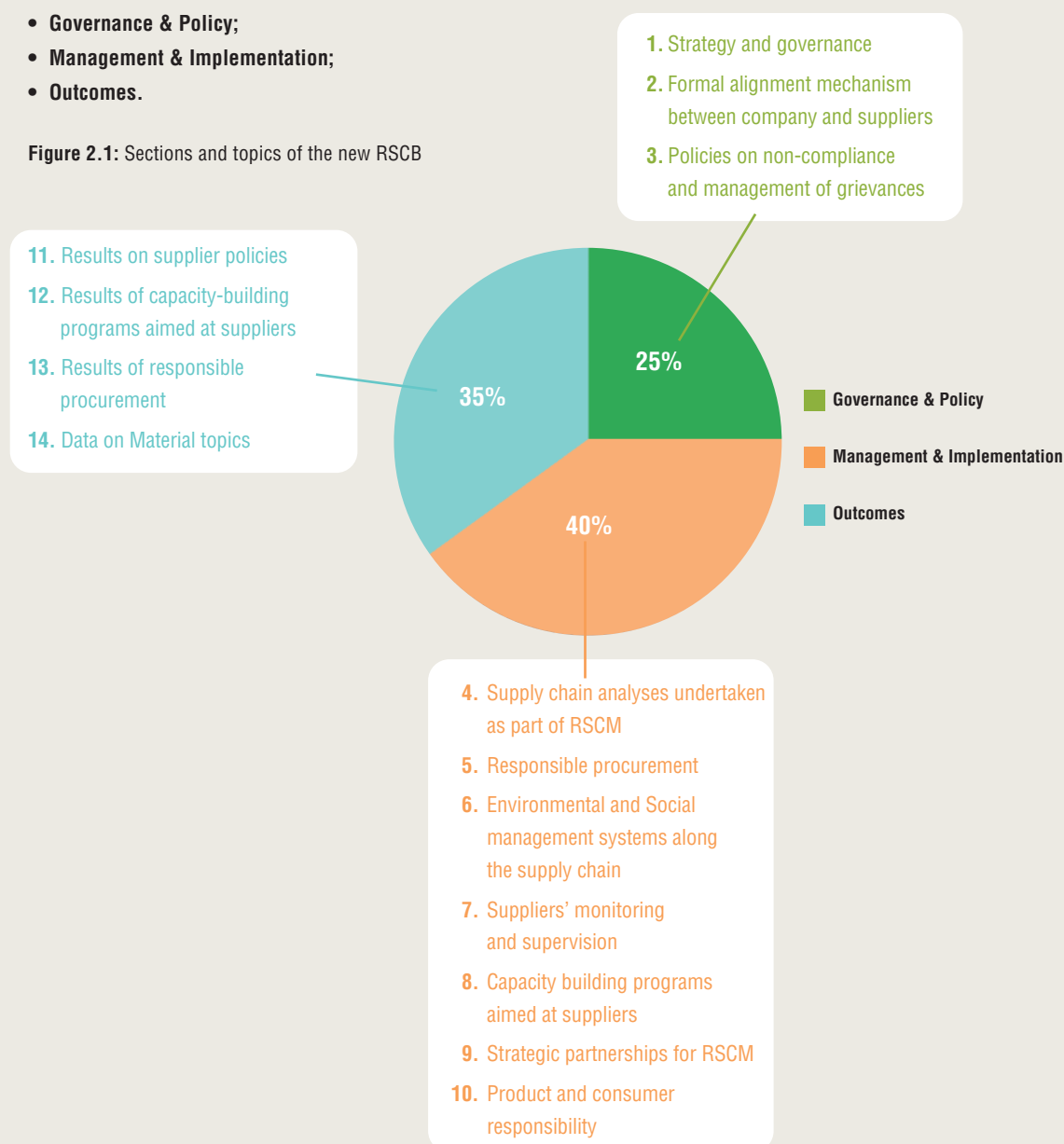
## 2 Section Analysis

In this chapter, the generic results of how companies envision, manage and disclose information related to Responsible Supply Chain Management (RSCM) are presented.

The methodology of the benchmark received a major renovation throughout the course of 2014. The three sections on which the benchmark is now based are:

- **Governance & Policy;**
- **Management & Implementation;**
- **Outcomes.**

For the scope of this report a brief overview of some example criteria that are part of these three sections is provided. Figure 2.1 displays the three sections of assessments and the main topics included in each section.



## 2.1 Governance & Policy

The Governance & Policy section of the benchmark covers topics related to the establishment of policies for corporate social responsibility and responsible supply chain management. The Governance & Policy section consists of 11 criteria across 3 categories (for a total score of 37 points) in which companies presented their vision and strategy for RSCM.

### Criterion 1: strategy and governance

All companies within the scope of the 2014 RSCB have a vision of a sustainable future in their strategy. Almost all of these companies (90%) go beyond general CSR principles and specifically incorporate responsible supply chain management into their strategy.

### Criterion 2: formal alignment mechanisms between companies and suppliers

The basic foundation of building a relationship between companies and their suppliers starts with a contract that is built upon by social, environmental and economic policies to establish mutual understanding and expectations. 23% of companies in scope have a supplier code of conduct endorsing all of these elements:

- The Universal declaration of Human rights;
- OECD Guidelines for Multinational Organisations;
- ILO Core Conventions Guidelines;
- A sector specific code such as EICC or BSCI.

Furthermore, 58% of the companies in scope have a code of conduct in place that aligns to at least 2 of the aforementioned criteria. The remaining companies have a basic code in place with no formal alignment.

#### Example: economic fairness policies

80% of companies in scope have policies covering at least 3 of the following themes:

- Anti-corruption;
- Commitment to develop long-term relationships with suppliers;
- Social investments;
- Living wage.

However, only 8% of companies achieve the maximum score. Companies that achieve the full score are those that have a clear statement regarding living wage, not to be confused with a “minimum” or “competitive” wage<sup>3</sup>.

#### BEST PRACTICES:

INDITEX is the only company in scope with a clear position on living wage.

### Criterion 3: policies of non-compliance and management of grievances

In the natural course of business operations, it is inevitable that issues may arise, but the key in responsible supply chain management is how these issues are dealt with. It is crucial to provide channels for reporting violations, filing complaints and adequately handling reports to mitigate further incidents.

#### Example: whistleblower policies

Of all companies in scope, 95% disclose information regarding their whistleblower policy, indicating an openly accessible scheme in place allowing for reporting of violations in their business. However, only 10% of those companies fulfil the additional criteria of providing an accompanying grievance management system that follows up on complaints, includes external oversight of the reporting and resolution process, and provides some form of training on how to use the system.

## 2.2 Management & Implementation

Formulating a responsible supply chain policy is crucial, but developing a management mechanism to facilitate the implementation of this policy is equally important. The Management & Implementation section consists of 25 criteria across 7 categories (for a total score of 81 points).

In this section, the depth of responsible supply chain Management & Implementation of companies is elaborated. This is based on the actual execution of key elements identified below. It is no coincidence that top overall performers also perform well in Management & Implementation.

<sup>3</sup> Please refer to the Glossary section of this report in appendix B.

#### Criterion 4: supply chain analyses undertaken as part of RSCM

Supply chain analysis requires consideration of both internal and external issues of companies, as well as their relevance to various stakeholders' in the bigger value chain. This stresses the need for an extensive materiality analysis based on input from a representative stakeholder base. Due diligence in the supply chain is often executed through management systems which set standards of performance for companies by requiring adherence to specific principles.

##### Example: materiality

50% of companies in scope have a well-developed materiality analysis, following one or more of the following criteria:

- A detailed materiality analysis;
- A materiality matrix;
- An indication of the relevance of material issues at different parts of the value chain i.e. upstream, midstream and downstream;
- Identified issues that go beyond their materiality boundaries.

A mere 7% of companies in scope do not publish any type of materiality analysis at all.

#### Criterion 6: management systems

Of the companies in scope, 42% have a certified environmental management system in place, and 35% have a certified social management system.

#### Criterion 7: supplier monitoring and supervision

Management systems help to establish criteria used for monitoring and auditing suppliers. Providing suppliers with a code of conduct detailing the company's expectations of them, as well as requiring the presence of a management system means that there must be supervision to ensure compliance.

##### Example: monitoring and auditing

90% of companies in scope have monitoring tools in place for suppliers such as self-assessments and dialogues. However, only 20% of companies execute fullscope on-site audits with clearly defined sustainability criteria and execution at regularly scheduled intervals. Top performers have monitoring and auditing systems in place which:

- Classify supplier groups (e.g. high risk, high spend);
- Examine deeper tiers in their supply chain;
- Include external supervision.

#### Criterion 10: circular purchasing

Issues of climate change, impacts on biodiversity and waste management have brought circular purchasing to the forefront of responsible supply chain management. While only 20% companies obtain a maximum score for this criterion, it should be noted that 68% of companies do have at least some form of circular purchasing policy in place. With more companies considering the "cradle to grave" impact of their products, top performers in this category fulfil criteria related to:

- Preservation of scarce resources;
- Minimum reuse thresholds for purchases;
- Life cycle assessments;
- Zero-waste initiatives.

#### BEST PRACTICES CIRCULAR PURCHASING:

CORBION and UNILEVER have provided customers with lifecycle assessments of their products.

BAM built a circular town hall by choosing materials and designs that can be disassembled and reused at the end of their lifespan.

## 2.3 Outcomes

As the newcomer to the Responsible Supply Chain Benchmark in 2014, “Outcomes”, is a highly quantitative metric compared with the other more qualitative sections of the assessment. It seeks to build upon the Management & Implementation section by illustrating the targets and KPIs as well as the acknowledgement of progress or lack thereof in identified areas. The Outcomes section consists of 10 criteria across 4 categories (for a total score of 40 points). In the coming years the Outcomes section will not focus only to the disclosure of quantitative data in relation to the implemented CSR and RSCM policies, but it will also seek to address the actual Impacts resulting from the establishment and implementation of RSCM policies.

### Criterion 11: results on supplier policies

The provision of a whistleblower policy and system for filing grievances requires reporting on the issues discovered through these channels. Transparency in the shortcomings of companies provides opportunities for reform. It is also important to use past experience as a chance to learn and train suppliers and procurement officers to avoid recurring incidents.

#### Example: grievances filed and resolved

Approximately 30% of companies in scope provide a detailed approach on dealing with grievances arising from:

- Environmental impacts;
- Labour practices;
- Human rights practice;
- Impacts on society.

Many of these companies are transparent about

- Instances of grievances filed against them;
- Types of grievances occurring;
- How reports filed were managed.

With the presence of a grievance mechanism system to accompany the whistleblower procedure, top performing companies fulfil their responsibility of reporting on how they dealt with grievances filed.

### Criterion 12: supplier capacity-building

Training suppliers is of equal importance as auditing them, and 25% companies report on:

- The number of suppliers trained;
- The tangible benefits of training.

While 28% of companies only report on one of these two criteria, the remaining companies do not report on either. If suppliers are taught what is expected of them and how to provide the companies they serve with materials sourced in the most sustainable manner possible, they are far more likely to perform well in audits with a clear understanding of what is required of them.

### Criterion 13: responsible procurement

The results of responsible procurement indicate that there is a need for more companies to improve the level of reporting on this issue due to the fact that only 5% of companies fully disclose quantitative details on:

- The number of procurement officers trained;
- The number of training hours provided;
- The number of new suppliers screened on sustainability criteria.

Nearly 25% of the companies report on at least one of these criteria. Feedback from some companies indicates that procurement training is embedded in their company practice. Hence, reporting on it may not have been a priority.

## 3 Sector Analysis

In the Responsible Supply Chain Benchmark 2014, eight sectors composed by five companies each, are analysed:

- **Communications;**
- **Technology & Electronics;**
- **Construction;**
- **Food & Beverage;**
- **Industrial & Chemicals;**
- **Oil, Gas & Maritime;**
- **Retail;**
- **Logistics.**

Each sector consists of 4 Dutch companies and 1 Robeco-SAM European industry leader. The sector selection builds upon the historical sector choices of the benchmark, but has been refined for consistency so that the analysis can incorporate an equal number of peer companies grouped together (see methodology for further details).

Three key issues of the Responsible Supply Chain Benchmark set the foundation of responsible supply chain management and are consistent and applicable across all sectors. These are:

- Supplier code of conduct & non-compliance approach <sup>4</sup>;
- Monitoring & auditing <sup>5</sup>;
- Outcomes of non-compliance <sup>6</sup>.

It must be noted that the sector graphs display numerical values instead of percentages in order to show how many points the companies scored in each section of assessment. However, the companies are still ranked based on the final (weighted) score, therefore in some occasions it might be the case that a company that has a higher numerical sum might be placed under another one due to weighting calculations.

### **Supplier code and non-compliance approaches: overall scores**

For the Governance & Policy section of the sector analysis 2 main criteria were analysed: (I) Presence of a Supplier Code of Conduct and (II) Non-compliance approaches. The supplier code of conduct sets the basic principles of what is required from suppliers and what international standards they are expected to comply with. It is also important to examine the companies' approach to dealing with instances of supplier non-compliance.

In the former the results are commendable, considering that all the companies possess a code of conduct, which applies to employees and suppliers alike. Only 20% of the companies do not possess a code that explicitly endorses International Organisation provisions. Of the companies that do have a supplier code of conduct with full endorsements of International Organisations guidelines, 22% are also part of sector specific codes such as the EICC or BSCI. Considering Non-compliance approaches, 15% of the companies in scope do not provide a detailed approach for dealing with instances of non-compliance; the vast majority (65%) possess a general approach based on corrective action plans.

Finally, only 20% of the companies fully disclose a stratified non-compliance policy to address issues of non-compliance across the supply chain. Therefore, although the fairly positive results, there is still much room for improvement in providing more detailed information on the topic, possibly by disclosing or improving information about stratified non-compliance approaches.

### **Monitoring and auditing measures: overall scores**

Supplier supervision through monitoring and auditing assesses supplier performance in key areas that prove their commitment or lack thereof to comply with the code signed. The scores for Monitoring and Auditing measures were widely dispersed, with some companies scoring very well and others scoring quite poorly. 90% of companies had some form of supplier monitoring in place, but only 20% of companies actually executed full scope auditing based on sustainability criteria. This is reflected in both the section and sector analysis of this report. Regardless the nature of a company's business and supply chain, supplier supervision is a basic necessity, and the scores for these criteria indicate substantial room for improvement.

### **Outcomes on non-compliance: overall scores**

The benefit of responsible supply chain management is not merely ensuring that suppliers have signed an agreement and are being supervised, but also identifying which are the areas of improvement in order to make the supply chain more sustainable.

<sup>4</sup> As found in the Governance & Policy section of the assessment

<sup>5</sup> As found in the Management & Implementation section of the assessment

<sup>6</sup> As found in the Outcome section of the assessment

Therefore, the amount and quality of the disclosed information regarding compliance levels and cases of non-compliances is assessed.

The introduction of the outcomes section to this year's benchmark is a clear indication of the shift from merely expectations of good policy and implementation, to the reporting of concrete results. With only 20% of companies providing in depth on their supplier non-compliances, scores in this section of the benchmark demonstrate that the majority of companies analysed do not report sufficiently on quantitative measurements of their responsible supply chain management.

Therefore companies should take their performance as a guide for an increased focus on what their policies and management systems are actually achieving now, and contributing towards the future of sustainable development in the value chain.

### 3.1 Industrial & Chemicals

With DSM, Arcelormittal and AkzoNobel in the overall top-10 ranking, the Industrial & Chemicals sector scores impressively. With only a 1% difference between DSM and Arcelormittal, these two companies have demonstrated that the high-risk chemical sector can also be highly effective in responsible supply chain management. This sector performs best on Governance & Policy, with above average scores from 4 out of the 5 companies. Figure 3.1 shows the scores of companies in the Industrial & Chemicals sector.

#### Supplier code of conduct and non-compliance approach

Almost all of the companies in this sector, with the exception of Aalberts (which scores significantly lower than its peers) have a supplier code of conduct with alignment to the Universal Declaration of Human rights, ILO and OECD guidelines as well as a sector initiative (such as BSCI or EICC). All companies have a general provision for dealing with non-compliances (corrective action plans). Still, only DSM provides a full disclosure regarding their approach and therefore receives the maximum score on this criterion.

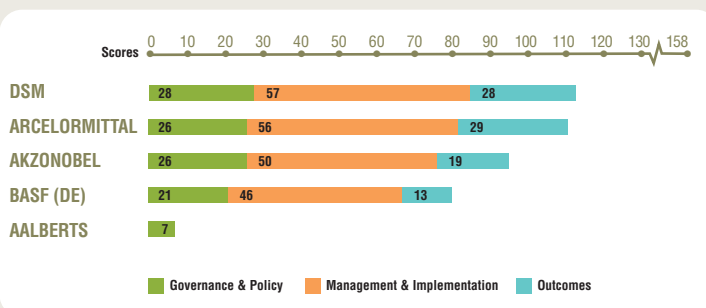
#### Monitoring and auditing

With the exception of Aalberts, all companies in this sector have monitoring tools in place. These include selfassessments for suppliers and audits incorporating sustainability criteria. However, most of the companies do not appear to supervise deeper tiers of their supply chain and only focus on direct suppliers. DSM is the only company in this sector that provides details of third party supplier audits conducted on their behalf indicating external oversight.

#### Outcomes of non-compliance

In this sector, only DSM and Arcelormittal report on outcomes of supplier non-compliance by detailing the types of non-compliance and the number of instances that occurred. Considering the nature of the chemical industry's supply chain, and its associated risks, the reporting on outcomes has room for improvement.

Figure 3.1: Industrial & Chemicals sector scores



*“DSM is the only company in this sector that provides details of third party supplier audits conducted on their behalf indicating external oversight”.*

### 3.2 Communication

Reed Elsevier and KPN are the 2 companies from the communications sector in the overall top 10 of the ranking, at number 9 and 10 respectively. Some companies in this sector have highlighted the shift from paper media to electronic media as the source of the changing nature of their supply chain. Out of the 3 sections of the benchmark, the communications sector performs best in policy and governance. Figure 3.2 shows the scores of companies in the Communication sector.

#### Supplier code of conduct and non-compliance approach

All of the companies in this sector have a supplier code of conduct. KPN, Telegraaf Media Group and Telenet all have codes aligned to the Universal Declaration of Human Rights standards as well as ILO and OECD guidelines. Regarding non-compliance policies, all companies have a general provision for handling non-compliances (corrective action plans). However, only Reed Elsevier provides a full disclosure on their approach to dealing with non-compliances.

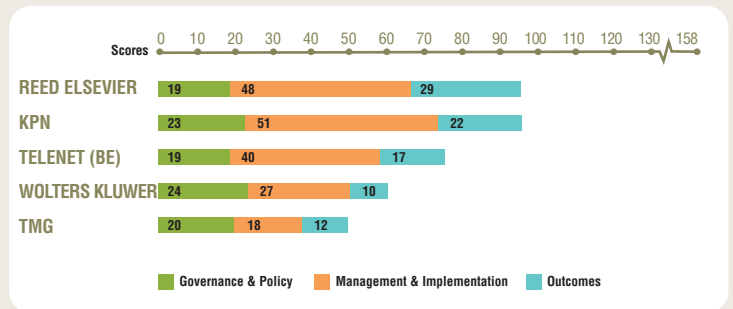
#### Monitoring and auditing

The Communications sector does not perform well in supplier monitoring and auditing overall. KPN and Telenet monitor deeper levels of their supply chain, and Reed Elsevier includes sustainability criteria in their onsite audits. Otherwise, the level of supplier supervision leaves room for improvement for all companies in this sector.

#### Outcomes of non-compliance

Similarly, in outcomes KPN, Telenet nor Wolters Kluwer perform well on their reporting of non-compliances. Reed Elsevier is the exception as they report in depth on this issue by disclosing discovered non-compliances according to types and number of instances as well as the regions of occurrence. Although the communications sector performs well in terms of responsible supply chain management policy, the implementation and reporting of outcomes needs improvement.

Figure 3.2: Communication sector scores



*“[...] only REED ELSEVIER provides a full disclosure on their approach to dealing with non-compliances”*



### 3.3 Technology & Electronics

Ranking at number one in the overall benchmark, Philips sets the bar extremely high for its peers to compete with in the Technology & Electronics sector. However, ASML can also be commended for the efforts in responsible supply chain management as the company came quite close to the top 10 ranking (number 14). Figure 3.3 shows the scores of companies in the Technology & Electronics sector.

#### Supplier code of conduct and non-compliance approach

Philips, ASML and TomTom all obtain a perfect score for their supplier code of conduct alignment to the Universal Declaration of Human Rights, ILO and OECD guidelines, and the electronic sector initiative EICC. All of the companies in this sector report to some extent on their approach for dealing with instances of supplier non-compliance. However, only Philips got the maximum score for its in-depth description.

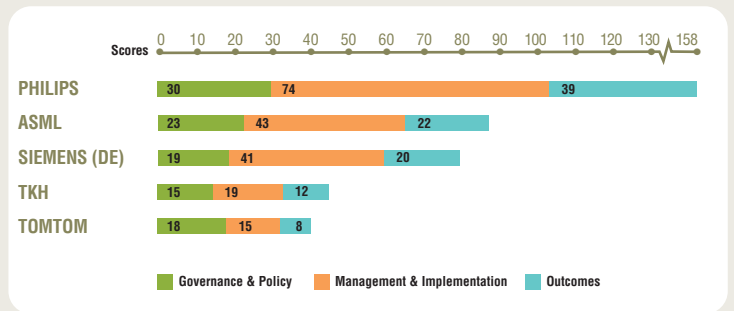
#### Monitoring and auditing

Supplier monitoring tools are in place at all companies in this sector, with the exception of TKH. The companies perform regularly scheduled audits based on sustainability criteria and interviews are conducted with supplier management and employees. Supervision is also executed according to classified supplier groups. Philips' monitoring and auditing practices address issues of conflict minerals stemming from the deepest levels of their supply chain.

#### Outcomes of non-compliance

Overall, the Technology sector does not perform well on reporting their supplier non-compliance results. Philips is the only company detailing instances of non-compliances that are discovered; providing data on the types of non-compliance, the number of instances and even the regions of occurrence. Considering that this sector performs well on their auditing and monitoring, reporting of these outcomes provides an opportunity to increase their level of transparency in supplier supervision.

Figure 3.3: Technology & Electronics sector scores



*"[...] PHILIPS is the only company detailing instances of non-compliances that are discovered."*

### 3.4 Logistics

The logistics sector has unique supply chains; and given the variety of companies represented in this sector, the results make for an interesting comparison among them. None of the companies in the logistics sector rank in the top 10, but the overall performance is satisfactory, and there are positive indications of future improvements. Figure 3.4 shows the scores of companies in the Logistics sector.

#### Supplier code of conduct and non-compliance approach

All of the companies in this sector have a supplier code of conduct that is at least aligned to the Universal declaration of human rights. Regarding non-compliance policies, Royal Mail, PostNL and TNT Express have a general provision for handling non-compliances (corrective action plans). However, no company is awarded full points, as there are limited details on their approach to dealing with various forms of non-compliance.

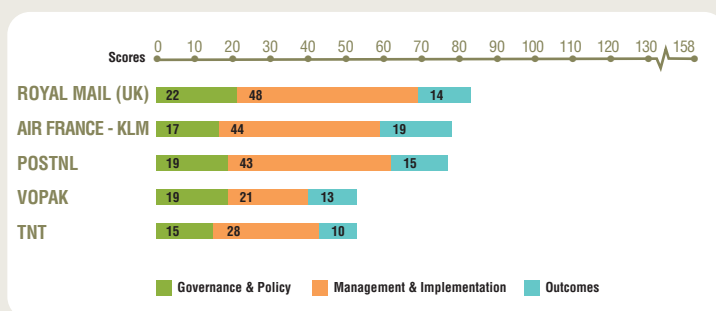
#### Monitoring and auditing

All companies in this sector have monitoring tools such as self-assessments for suppliers, but only Air France-KLM, PostNL and Royal Mail actually conduct auditing, which includes sustainability criteria. Most of the companies do not supervise deeper tiers of their supply chain and only focus on direct suppliers. Air France-KLM is the only company in the sector that provides details of third party supplier audits conducted on their behalf, indicating external oversight.

#### Outcomes of non-compliance

In the logistics sector Vopak, Post NL, and Royal Mail report on outcomes of supplier non-compliance, at least providing the number of instances that occurred. Vopak, however, scores the highest for their detailed approach which also describes what types of incidents occurred, and specific instances of non-compliance arising from environmental and social issues. Following Vopak's example, it is evident that companies can report on this topic more transparently.

Figure 3.4: Logistics sector scores



*“AIR FRANCE-KLM is the only company in the sector that provides details of third party supplier audits conducted on their behalf, indicating external oversight” .*

### 3.5 Construction

Three companies from the construction sector are represented in the top 20. BAM Group and Ferroviaal are placed in the top 10 (respectively 4th and 8th position) and Ballast Nedam makes it to the 15th place. Imtech is the only company in scope that scores under 40%, but they are also currently in the process of revising their CSR strategy. Figure 3.5 shows the scores of companies in the Construction sector.

#### Supplier code of conduct and non-compliance approach

All the companies in the sector have a code of conduct specifically tailored to suppliers. BAM group is the only company with a maximum score due to its partnership with BWI to protect supplier employees' rights, resulting in a second code that is also enforced on the suppliers. Following BAM, Ballast Nedam and Ferroviaal clearly endorse International Organisation Guidelines. Imtech and Heijmans only do so partially. All companies except Imtech provide general information regarding non-compliance approaches in the form of corrective action plans. However, only Ballast Nedam fully discloses the approach in a detailed manner.

#### Monitoring and auditing

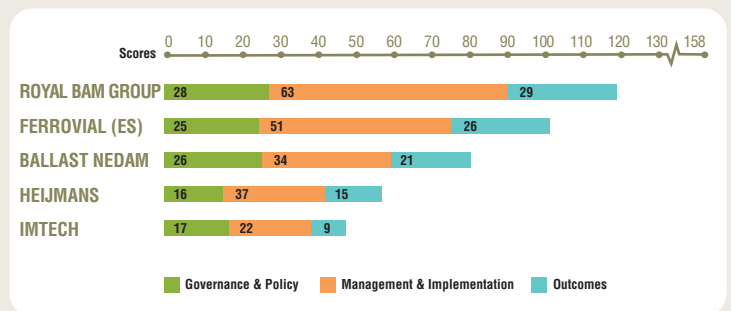
All companies in the construction sector have a monitoring or auditing system in place for suppliers. The types of assessed supplier groups vary according to the company's categorisation of suppliers, with the exception of BAM monitoring its whole supplier force. Additionally, BAM, together with Ballast Nedam and Ferroviaal exert extra effort in monitoring deeper tiers/subcontractors, whereas Heijmans and Imtech focus only on the first tier.

Considering auditing measures, BAM Group, Heijmans and Ferroviaal explicitly state which groups are audited on code of conduct themes. However, BAM is the only company in the sector that clearly describes the sustainability/social themes that are included in the audits. Moreover, BAM is the only participant in the sector that outsources the on-site audits in its entirety to external actors, whereas Heijmans and Ballast Nedam do it partially.

#### Outcomes of non-compliance

Lastly, as a follow-up to supplier monitoring and auditing, results in non-compliance and grievances filed and resolved were addressed. In this case, BAM, Ballast Nedam and Ferroviaal report in detail the amount of noncompliances and grievances encountered during the reporting year 2013. This is not the case for the whole sector, with Heijmans and Imtech lagging behind in this part of the assessment.

Figure 3.5: Construction sector scores



*“BAM is the only company in the sector that clearly describes the sustainability / social themes that are included in the audits”.*

### 3.6 Food & Beverage

The representation of the food and beverage sector in the overall benchmark is very diverse. Heineken and Nestlé are the front-runners of the sector, with Heineken being the sector winner. The newcomer Corbion, with a score of 46%, lands in the mid-runner range. Lastly, Nutreco and Sligro both land in the lower spectrum of the benchmark, both at the sector and general ranking level, with a score of under 40%. Figure 3.6 shows the scores of companies in the Food & Beverage sector.

#### Supplier code of conduct and non-compliance approach

All the companies in the sector possess a code of conduct specifically tailored for suppliers. The only company with a maximum score for the criterion is Sligro due to its participation in the BSCI code of conduct initiative. The remaining companies with the exception of Nutreco all achieve satisfactory scores, due to clear endorsements of International Organisations guidelines.

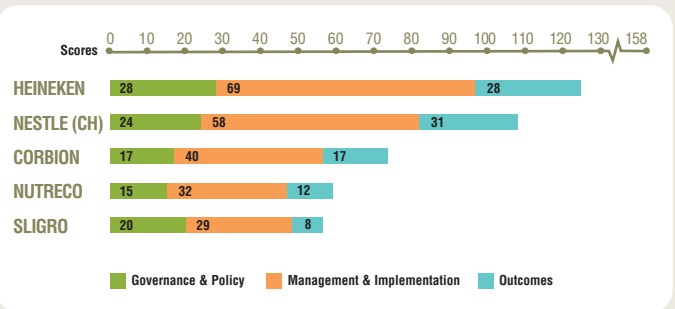
#### Monitoring and auditing

All the companies in the sector possess a monitoring system for suppliers. However, results greatly differ between front-runners and runner-ups. In light of monitoring measures, Heineken and Nestlé clearly show the front-running approach to the theme, by monitoring all suppliers. The remaining companies do not report information regarding supplier monitoring. An exception is Sligro, which monitors a fraction of its supplier force due to participating in the BSCI compliance programme. Considering the tiers subject to monitoring measures, Heineken is the only participant in the sector to score full points due to extending its coverage of monitoring and auditing measures in countries in which it states not to have direct economic activity. The divide between front-runners and the remaining companies becomes more evident in auditing measures. Nutreco and Corbion do not report information on the subject. Once again, Heineken scores full points for the tiers audited and Nestlé scores fairly well also due to auditing deeper tiers. Both the front-runners entirely outsource their auditing measures to external parties.

#### Outcomes of non-compliance

Reporting on non-compliance outcomes provides again, for this sector, a diversified picture across the participants. Nestlé is the best performer regarding data on non-compliances due to providing a full breakdown on compliance-rate, non-compliance rate and types and amounts of non-compliance cases. In order of performance Nutreco and Heineken follow suit. Considering reported data on grievances filed and resolved, Heineken and Corbion are the leaders in amount of disclosed information. Nutreco and Nestlé have significant room for improvement. In the case of Sligro, its participation in the BSCI initiative augments its score in the absence of explicit information regarding the aforementioned themes.

Figure 3.6: Food & Beverage sector scores



*“NESTLÉ is the best performer regarding data on non-compliances due to providing a full breakdown on compliance-rate, non-compliance rate and types and amounts of non-compliance cases”.*

### 3.7 Oil, Gas & Maritime

The oil, gas and maritime sector is represented mainly in the mid-runners portion of the final ranking. Two companies have landed in the top 20: Shell and BG Group. Two other companies, Fugro and SBM Offshore, albeit showing potential, have landed in the lower spectrum of the sector and in the overall ranking. Figure 3.7 shows the scores of companies in the oil, gas and maritime sector.

#### Supplier code of conduct and non-compliance approach

All of the companies in this sector possess a supplier code of conduct but only Shell, SBM and Boskalis Westminster are aligned to the Universal Declaration of Human Rights and the ILO guidelines. Additionally, SBM is the only company that also endorses OECD guidelines and therefore scores highest on the alignment mechanism criterion. With the exception of Fugro, all the companies have a brief approach to dealing with non-compliance, but none of the companies publicly discloses information regarding a structured non-compliance policy.

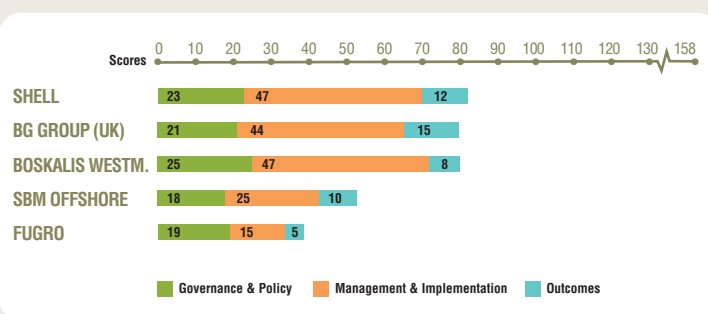
#### Monitoring and auditing

All companies in this sector, with the exception of Fugro, possess a monitoring and auditing system. However, the sector as a whole supervises only first tier suppliers. SBM and Boskalis are the only companies in the sector that provide information about sustainability criteria in their audits and include external parties in their auditing procedures.

#### Outcomes of non-compliance

Although the sector does provide some information regarding its monitoring and auditing measures, the disclosure of results on the aforementioned measures leaves room for improvement. Out of the five participants only Shell and Boskalis provide some information on non-compliance cases discovered through monitoring and auditing. In the case of grievances filed and resolved, Shell is again the only company to provide some basic information on the topic.

Figure 3.7: Oil, Gas & Maritime sector scores



*“SBM and BOSKALIS are the only companies in the sector that provide information about sustainability criteria in their audits and include external parties in their auditing procedures”*

### 3.8 Retail

The retail sector has a strong standing in the general ranking of the benchmark by having three companies (Ahold, Unilever and Inditex) landing in the top 20. Moreover, Inditex achieves the second place in the general ranking, and also is the front-runner of the sector. Beter Bed Holding and Accell group definitely exhibit potential but have landed in the lower spectrum of the ranking, as the front-runners of this sector set the bar high. Figure 3.8 shows the scores of companies in the retail sector.

#### Supplier code of conduct and non-compliance approach

All companies in the sector have a supplier code of conduct. It is worthwhile to note that the results on this topic are excellent across the whole sector. Unilever and Accell lead the theme scoring full points due to the participation of Unilever in the Global Social Compliance Programme and Accell in being one of the establishers of the “WFSGI” code of conduct for sporting goods. All the remaining companies still achieve more than satisfactory scores due to full endorsements of International Organisations provisions. Considering non-compliance approaches, the only two companies with a fully disclosed and stratified approach on non-compliances are Inditex and Ahold, whereas Unilever and Beter Bed only provide a general approach regarding corrective action measures. Accell group at present time does not report anything on the subject.

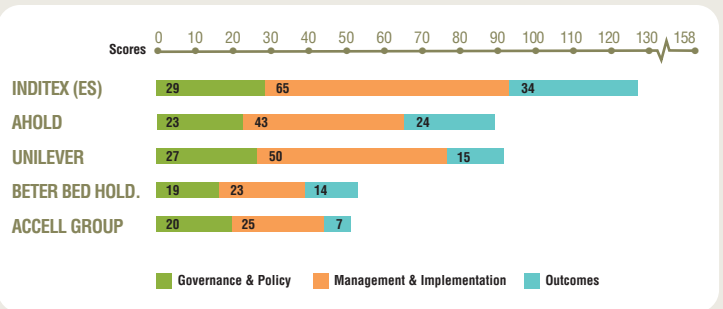
#### Monitoring and auditing

The participants in this sector all report to have monitoring and auditing systems in place. However, the amount and quality of disclosed information in this case shows the divide between the front-runners and the runner-ups. Inditex is the only company that monitors and audits all of its suppliers, instead of specific groups as done by the other participants. Considering tiers monitored and audited, all the companies except Accell provide information about supervising at least the first Tier, with Ahold and Inditex providing more information about supervising deeper tiers. Considering stakeholder inclusivity in the audits and RSCM relevance, results are quite diverse. In the former, Unilever and Inditex are clear leaders scoring full points, whereas in the latter case Inditex is accompanied by Ahold. None of the companies exclusively outsource their on-site audits to external parties.

#### Outcomes of non-compliance

Unfortunately the scores regarding supplier supervision and non-compliances/grievances are not as remarkable as might be expected considering the commendable scores in the management section. In this case the clear dominance of Inditex is tangible: it is the only company that scores full points both in amount and quality of information disclosed on non-compliance cases and grievances filed and resolved. Besides Inditex, Beter Bed is the only participant to provide some information on non-compliances. Accell Group does not yet score points on this criterion, being still on its way on implementing monitoring and auditing systems. Unilever and Ahold do not publicly disclose any information on the subject.

Figure 3.8: Retail sector scores <sup>7</sup>



*“INDITEX is the only company in the sector that monitors and audits all of its suppliers”.*

<sup>7</sup> In this figure Unilever is placed under Ahold due to its final weighted score: Ahold is at 58% vs. Unilever at 56%.

## 4 Conclusions

The VBDO Responsible Supply Chain Benchmark aims to serve as a meaningful standard that companies can deploy in a shared vision of more sustainable value chains across all industries. Due to the major renovation of the benchmark methodology and different structure of the sectors participating in the assessment of 2014, a comparison with the previous year scores is not provided. With the addition of new criteria, introduction of new companies, as well as the new weighting system of points in the each section, the 2014 benchmark sets a new foundation for future comparisons based on this revised methodology.

### Governance & Policy

All companies in the scope of the 2014 benchmark fulfilled the minimum criteria of at least having a policy, strategy and vision for CSR, with 90% of these companies specifically addressing responsible supply chain management. However, this is no longer sufficient. As environmental and social issues increasingly come to light, merely checking boxes is not the way to effect change. Policy needs to be supported by action, which is why there is now greater emphasis being placed on the subsequent sections of the benchmark.

### Management & Implementation

The scores for Management & Implementation were widely dispersed, with some companies scoring very well and others scoring quite poorly. An important issue, which set the companies apart was monitoring and auditing. 90% of companies had some form of supplier monitoring in place but only 20% of companies actually executed full scope auditing based on sustainability criteria. Regardless of the nature of a company's business and resulting supply chain, supplier supervision is a basic necessity, and the scores for these criteria indicate substantial room for improvement.

### Outcomes

The introduction of the outcomes section to this year's benchmark is a clear indication of the shift from merely expectations of good policy and implementation, to the reporting of concrete results. With only 20% of companies providing in depth details on their supplier non-compliances, scores in this section of the benchmark demonstrate that the majority of companies analysed do not report sufficiently on quantitative measurements of their responsible supply chain management. Therefore companies should take their performance as a guide for an increased focus on what their policies and management systems are actually achieving now, and contributing towards the future of sustainable development in the value chain.

### Winners and Sector Leaders

Traditionally there has been one winner of the Responsible Supply Chain Benchmark, but as the focus shifts to a more sector oriented approach, this year's winners come from 4 sectors and fulfil the criteria of achieving an aggregate score of 75% or higher.

From the Technology & Electronics sector, PHILIPS secures the number 1 position, both in the sector as well as in the overall ranking.

From the Retail sector, INDITEX is the top performer, also coming in at number 2 of the overall ranking.

HEINEKEN leads the Food & Beverage sector and ranking 3rd in the overall benchmark.

Last but not least, BAM represents the acceleration towards responsible supply chain management by leading in the Construction sector and placing 4th in the overall benchmark ranking.

### Recommendations

Throughout the process of analysis, several issues applicable to all the participants were identified, resulting in the following recommendations:

- Simple supplier trainings are no longer sufficient. Companies should tailor their training procedures according to specific Environmental, Social and Governance issues represented in the companies' chains. Trainings should be focused on capacity building, and coaching in order to eradicate supplier-related issues from their roots.
- Companies should establish and promote the use of grievance management systems to ensure that in case of breaches at the supplier level; the suppliers, its employees and local communities feel empowered and protected to signal those.
- Transparency on monitoring and auditing measures enforced on suppliers are of utmost importance and official documentation should report at least on: types of suppliers groups audited, frequency, non-compliance rates and actions following up cases of non-compliance.
- Companies should provide the right support to non-compliant suppliers, and be clear and realistic in the expectations and timelines required to improve suppliers' behaviour up to the company's standards.
- It is advised to provide clear targets regarding environmental and social performance objectives and targets as well as timely updates on target advancement or achievement.

# Appendices

## Appendix A: Jury report

### Introduction

In 2014, the Dutch Association of Investors for Sustainable Development (VBDO) analysed 32 Dutch listed companies and 8 companies not listed in the Netherlands on their publically reported policies and performances in the field of responsible supply chain management in 2013. Foreign companies were added this year to allow for a broader comparison and internationalisation of the benchmark.

The year's benchmark criteria are revised substantially, with input coming from various stakeholders. Among other things, the amount of maximum obtainable scores in the three sections has substantially changed. The emphasis has been placed more strongly on the achieved outcomes. As a consequence, achieving a higher score is more challenging than in previous years. Starting this year, there is no longer one single winner, but each of these sectors can potentially host a winner:

- **Food & Beverage;**
- **Technology & Electronics;**
- **Industry & Chemicals;**
- **Communication;**
- **Retail;**
- **Oil, Gas & Maritime;**
- **Construction;**
- **Logistics.**

The criterion to be nominated as a sector winner is to possess an overall score of more than 75%. The relevance of, and attention towards, responsible supply chain management continues to grow. Scarcity of resources puts pressure on sustainable extraction and use. Retrieving optimal savings from an environmental and cost perspective requires chains' analysis. Analysis is also required to promote reuse, or in other words: a circular economy. Social aspects within chains continue to require alertness and improvement. Cooperation within and between chains becomes increasingly necessary. These several aspects become clear from the performances of the front-runners.

### Nominees

Four companies with a score of at least 75% of the maximum score have been nominated for the Responsible Supply Chain Management Award (in alphabetical order):

- BAM;
- HEINEKEN;
- INDITEX;
- PHILIPS.

### Winners

From the nominees, the jury selected the winners based on the following criteria:

- The score and the analysis performed by the VBDO;
- The performance relative to the peers and/or the previous year;
- The social impact in the field of responsible supply chain management.

### Winners

- BAM
- HEINEKEN
- INDITEX
- PHILIPS

By coincidence, this corresponds to the nominees, each belonging to a different sector and all meeting the criteria and considerations of the jury.

### Justification

Philips achieves 143 of the maximum of 158 points (91%) and is the only company that substantially maintains its score compared to 2013, despite the revision of the benchmark criteria. Philips has retained its top position for the eighth consecutive year and once again obtained the highest score in the benchmark, a very noteworthy achievement. The high transparency in policy, management and outcomes of sustainable chain management deserves much appreciation. Recent notable improvements include audits of second tier and potential suppliers. Audits are conducted by external parties and have a strict follow-up. Conflict minerals get explicit attention. Reaching a circular economy is a clear objective that is gradually taking shape.



BAM obtains 120 points (75%). Despite the difficult situation in the construction sector, responsible supply chain management clearly maintains full attention. The transparency of public information allows for a proper assessment. This applies, amongst others, to the (non) compliance policies and results, a point where the jury drew attention to in 2013. The complaints and whistleblower procedure could be indicated more explicitly. In 2013, the code of conduct was revised and its suppliers were trained accordingly. Even less successful points get attention, such as the failure to award the sustainability and related part of the variable remuneration following the non-achievement of the targets. Monitoring and supervision of suppliers and information on the results can be further improved.

Heineken obtains 125 points (77%). A good result is the sharp rise in the number of suppliers that has been screened. The number of audits is related to the results of the screening, but seems limited: 9 in 2013. The non-compliance policy is more transparent, a point of attention that the jury put forward last year. Expression of results of policy towards suppliers and procurement practices can be improved. The expanded whistleblower procedure for employees is worth a follow-up. Inditex achieves 128 points (81%). For an external newcomer to the benchmark this is an excellent score. Reporting on sustainable supply chain management is very transparent (including the non-compliance policy), which contributes to achieve a good score. The policy of Inditex covers all the benchmark's topics. Notable is the mentioning by name of the stakeholders involved in the drafting of a materiality matrix. Indication of results of policy towards suppliers can be improved.

### Special mention

Although the jury found several distinctive points with various companies, some of which are discussed in the next section, they had no reason for a special mention.

### General considerations on the results

As in previous years, the jury has the impression that some companies perform better than it appears from the public information analysis (though improvements seem to be visible), even at the highest levels. The benchmark is deliberately based on public information. Accessibility, legibility and completeness are the most important keywords for good reporting. The jury has identified the following general trends:

- Over the entire group of participants, there is one theme that scores relatively modest: the whistleblower policy and grievance mechanism system.
- As more operational results are reported, the importance of reliability increases; in this light, independent verification becomes more important.
- Some companies perform only a modest number of audits amongst their suppliers, even in cases where policy and management towards suppliers are extensively developed.
- Three quarters of all firms shows no tangible results of responsible procurement, although policy and organisation are in place in many cases.

Within the companies investigated some noteworthy points emerged:

- Living wage in the supply chain: Inditex is the best example;
- Whistleblower policy and grievance management system: Heineken provides the most comprehensive information;
- Circular economy: Philips possesses a detailed policy.

### Jury members

The Board of the VBDO appoints the jury. The jury is independent party from the Board of the VBDO. It consists of the following members, who are part of the jury on personal capacity:

- Jan van der Kolk, independent consultant (Chairman)
- Herman Mulder, independent consultant
- William Lageweg, managing director of MVO Nederland
- Jan Roodenburg, Vice President EMEA ESSN Supply Chain Hewlett-Packard
- Jack van Ham, former Chairman Board ICCO

The Supply Chain Management Award consists of a sculpture and a certificate for the winners.

## Appendix B: Glossary<sup>7</sup>

**BSCI:** Business Social Compliance Initiative is a code of conduct based on the principles of several international guidelines and standards that participating companies implement in their supply chains.

**Capacity-Building:** The provision of training, facilities and/or resources for the development of a target group, specifically with the aim of addressing issues of concern.

**Classification of Suppliers:** The grouping of suppliers according to categories based on the nature of their business/materials supplied e.g. high risk, high spending, high impact, etc.

**Circular Purchasing:** A concept derived from the idea of a circular economy in which materials are sourced with minimal environmental impact and based on the expectation that at the end of their useful life will either be recycled, reused or biodegraded.

**Collective Bargaining:** The process by which employees and trade unions operating on their behalf negotiate contract terms related to working conditions.

**Competitive Wage:** A competitive wage is based on industry standards whereby companies pay employees comparable to other peer companies in order to compete for talent.

**(Cross) Sector Initiative:** When a group of companies, NGOs and/or governments embark on a joint partnership to collectively increase their impact on sustainable goals and projects.

**Downstream:** The portion of the supply chain concerned with the manufacturing of products provided to end-users.

**EICC:** Electronic Industry Citizenship Coalition is a code of conduct based on the principles of several international guidelines and standards which participating electronic companies implement in their supply chains.

**Grievance Mechanism:** The follow-up procedure often linked to a whistleblower policy or any system which allows for complaints to be made and adequately managed by relevant parties who investigate and resolve claims filed.

**ILO guidelines:** The standards set by the International Labour Organisation regarding safety, human rights and decent working conditions for employees.

**ISO 14001:** A certified environmental management system based on adherence to standards regarding issues impacting the environment related to land, air and water.

**Life Cycle Assessment:** The “cradle to grave” analysis of products starting from the original sourcing of raw materials, to production, distribution, usage and ending at final disposal.

**Living wage:** Not set by government mandate nor industry standard, a living wage is one which actually provides employees the necessary income to survive based on geographical location, cost of living, and established tax rates.

**Materiality Boundary:** In defining the material topics of a company, it is necessary to first identify the relevant issues that are material at various levels of the value chain. Boundaries are then established by matching the issues to various stakeholders of the company in order to determine what lies within the companies’ scope of reporting and what goes beyond.

**Materiality Matrix:** A graphical representation of a company’s most material issues ranging from highest to lowest priority indicating relevance to various portions of their value chain.

**Midstream:** Combining some elements of upstream and downstream, midstream focuses on issues at the company level, particularly the in between stages of preparation/transportation of sourced material before production.

**Minimum Wage:** The wage set by a government, which sets the standard of what amount must at least be paid by employers in order to comply with federally regulated labour practices.

**Multi-stakeholder Dialogue:** The collaborative discussion of the various issues relevant to the stakeholders of an organisation in a group forum.

**OECD guidelines:** A standard set of principles established by the Organisation for Economic Cooperation and Development with the goal of promoting ethical behaviour, good conduct and fair business practices among multinational companies.

**OHSAS 18001:** A certified health and safety management system based on adherence to standards aimed at mitigating safety risks and potential accidents.

**SA 8000:** A certified social management system based on adherence to standards regarding issues of human and labour rights.

**Tiers:** Levels of a supply chain, ranging from direct suppliers to suppliers of suppliers.

**Upstream:** The portion of a company’s supply chain focused on sourcing from suppliers.

**Whistleblower Policy:** A channel which facilitates the reporting of violations or misconduct perpetrated by a company, employees or suppliers.

**Zero-Waste Initiative:** An endeavour that seeks to eliminate the disposal of items to landfills by maximizing their level of reuse through strategic design in the early stages of the life cycle.

<sup>7</sup> The above definitions are applicable within the scope of this report.

# Appendix C: Methodology

The Responsible Supply Chain Benchmark is a comparative investigation into Corporate Social Responsibility in the supply chain of multinational companies. Traditionally, the benchmark has focused on Dutch multinationals but this year, as the project begins its long-term expansion, the scope has widened. Research was performed on the basis of 3 broad supply chain categories, each contributing differently to the final score of each company:

- **Governance & Policy (25% weight);**
  - The maximum score of the section is 37 points.
- **Management & Implementation (40% weight);**
  - The maximum score of the section is 81 points.
- **Outcomes (35% weight).**
  - The maximum score of the section is 40 points.

These categories are further subdivided among 14 main themes and 46 specific criteria. All companies in scope of the 2014 benchmark were thoroughly assessed, based on publicly available information.

The full methodology is available on our website and it includes descriptions over each scoring item used in the assessment.

## Company selection

As previously introduced, the scope of the benchmark in the long-term is to become more international. The revision of the methodology is one of the first steps to achieve this goal. Together with the revision, another step was undertaken this year: renovating the sectors and introducing an international company to promote and provide new ideas in the field of Responsible Supply Chain Management. The idea was to keep this process as simple and transparent as possible by identifying 8 sectors of interest with a standard number of 5 companies per sector. The sectors include:

- **Communications;**
- **Technology & Electronics;**
- **Construction;**
- **Food & Beverage;**
- **Industrial & Chemicals;**
- **Oil Gas & Maritime;**
- **Retail;**
- **Logistics.**

Each sector is comprised of 4 Dutch companies and 1 RobecoSAM European industry leader.

The selection process was different for Dutch and European leaders, and it was structured as follows.

## Selection of Dutch Multinationals

Dutch companies are selected based on the following criteria:

- Production of goods and services constitutes a significant proportion of the operational expenditure;
- The company has to be publicly traded on the main Dutch Indexes. The hierarchical label of the index would be reflected in the selection, therefore AEX first, AMX second, ASCx third;
- In the case of unavailability of vacant positions in the sector due to the 4 Dutch companies ceiling, and in the presence of more companies in the same Index, the company with the highest revenue is selected.

## Selection of European companies: RobecoSAM Industry Leaders

European RobecoSAM industry leaders are selected based on the following criteria:

- Production of goods and services constitutes a significant proportion of the operational expenditure;
- The industry leader must come from a compatible RobecoSAM sector in types of provided goods and services;
- The industry leader has to be an European company;
- The RobecoSAM Class hierarchy is the main criterion of entrance. Gold is first choice, subsequently Silver and Bronze;
- In the presence of more than one industry leader eligible for participation in the same class, the company with the highest revenue is selected;
- In the absence of any compatible industry leader in one of the three classes mentioned above, RobecoSAM class members are eligible for participation. The company with the highest revenue is selected.

## Sections of assessment and respective criteria

Three sections comprise the benchmarking process: Governance & Policy; Management & Implementation and the new section: Outcomes. The link between the three sections is based on a "funnel" approach: the criteria are structured in such a way that there is a connection between the three areas, starting from policies. It is therefore expected that a company that has good policies in place, can score higher in management due to the necessity of implementing them properly, and can then disclose results on the management systems.

Similarly, the methodology functions in the opposite direction, in the absence of policies, it will be harder to achieve a satisfactory score in the following two portions of the assessment. Due to the fact that the new methodology is has a more layered approach characterised by many scoring items, we kindly invite you to our website to access the full document which provides a full overview on the new criteria, here below you will find the full list of the 46 criteria composing the benchmark with a brief description of the 14 main topics.

## Governance & Policy

The Governance & Policy portion of the assessment focuses on the establishment of policies that can foster good practices in RSCM. It is composed of three main topics and they are structured as follows.

### 1. Strategy and Governance

This topic covers three main themes related to corporate strategy for sustainability and responsible supply chain management:

- Presence of a CSR and RSCM strategy;
- Responsibility of corporate personnel for the implementation of the strategy and;
- Targets and incentives provided to the highest managers in the company in the implementation of the RSCM strategy.

### 2. Formal Alignment of Company's RSCM approach with that of Suppliers

This topic covers the wide range of policies that companies establish to regulate its relationship with the supplier force or to deal with specific sustainability themes. Consequently, the sub-criteria include:

- Presence of a supplier policy;
- Scope of the supplier policy;
- Other complementary policies related to social issues, environment or economic fairness (living wage, anti-corruption, social investments, statements of long-term relationship with the supplier force).

### 3. Policies of non-compliance and management of grievance along the supply chain

As the title suggests, the topic investigates whether:

- A non-compliance policy or alternative strategy to deal with non-compliances is present;
- A whistleblower policy possibly linked to a grievance management system.

## Management & Implementation

The Management & Implementation section of the assessment follows up on the establishment of policies by investigating how these are implemented and managed. The section is composed of 7 main topics, structured as follows.

### 4. Supply Chain Analysis Undertaken as Part of RSCM

The topic addresses three main themes related to Supply Chain Analyses that can be helpful in defining and implementing RSCM across the value chain:

- Materiality Analysis;
- General and Specific Stakeholder Analyses;
- Classification of Suppliers.

### 5. Responsible Procurement

The topic investigates procurement practices that can also be tailored for RSCM, it includes:

- Procurement Officers' RSCM capacity-building;
- Integration of RSCM criteria in Procurement Decisions.

### 6. Environmental and Social Management System along the Supply Chain

The presence of Environmental/Social management systems to ensure due diligence in the implementation of RSCM policies is a vital element in RSCM. Consequently, the criterion investigates the presence of the aforementioned management systems.

### 7. Suppliers' Monitoring and Supervision multi-layered topic addresses several questions related to monitoring and auditing; for instance:

- Presence of monitoring/auditing tools;
- Suppliers groups and tiers audited and
- Inclusion of sustainability criteria.

### 8. Capacity-Building Programs aimed at Suppliers

This criterion investigates whether the companies provides sustainability training to its supplier force, the type of training is not prescribed by the methodology.

## 9. Strategic Partnerships for RSCM

The topic addresses whether the company possesses any kind of

- Cross-sector initiative(s);
- Any other partnership focused on improving the value chain of the company or actors affected by its activities.

## 10. Product and Customer Responsibility

The topic investigates different sub-themes related to:

- Making products more sustainable (R&D, Resource Circularity);
- Conveying the sustainability message to customers (awareness, direct contact, mobile apps and so on).

## Outcomes

The RSCM Outcomes section focuses on the amount of disclosed information, in quantitative terms, regarding the themes covered in the Governance & Policy, and Management & Implementation sections of the assessment. Due to the self explanatory nature of the headings' criteria, for the scope of this report they will only be cited here below:

### 11. Results on Supplier Policies

- Results on Supplier Supervision;
- Data on non-compliance and Grievance.

### 12. Results of Capacity-Building Programs aimed at Suppliers

### 13. Results of Responsible Procurement

### 14. Data on Material Topics

- Tracking Material Topics with measurements;
- Tracking Materiality Measurements per tier(s);
- Target for Material Issues;
- Tracing Relative Improvements as Regards of Material Topics.

## Use of measurements throughout the Report

Two different measurements were used in this report:

- Percentages in the Section Analysis chapter;
- Numerical values in the graphs of the Sector Analysis chapter.

The underlying reasoning being that in the first case the focus was on highlighting the presence of the selected criteria in the overall distribution. In the second case, the use of graphs was not only focused on providing an overview of the positions in the sector, but also a breakdown of the actual achieved score in each section before the weighting process.

All of the companies are evaluated on the same scoring items and criteria, and potentially can all reach the same final score for each section, regardless of weighting. The numerical score provides a clear picture of the exact amount of points scored by a company in each of the three sections constituting the benchmark.

## Absence of score comparison previous years

As stated in the conclusion section of this report, in this year's benchmarking report a comparison of scores between last years and the present one, both at the individual and sector level was intentionally not provided. This is due to the fact that the methodology is entirely different from the previous years. It might be argued that the criteria are inspired by the old methods, and this is definitely truthful. However, providing a comparison between old and new scores would just provide the reader with a distorted vision on how a company "improved" or "worsened" its own CSR performances

The same reasoning applies for the sector overview: the sectors and companies participating in the benchmark have been subject of major renewal; therefore comparison sector analyses from past years with the present one would again provide an imprecise view of the overall picture.







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