Meeting the Unmet Promise of Responsible Sourcing

Business Insiders' Roadmap for Achieving Worker Rights and Women's Empowerment in Global Supply Chains

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By: Steve Rochlin, CEO, IMPACT ROI
David Wofford, Senior Director, Private Sector Strategy & Engagement for the Universal Access Project at the United Nations Foundation

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Contents

I. Executive Summary

"I'm not satisfied with the impact we are making….I'm not surprised we haven't made more progress."

"We are all very good at the lip service piece."

– Executives from Fortune 1000 companies discussing their responsible sourcing approach

This research report presents the perspectives of 21 business executives on the state of responsible sourcing in their global supply chains. Each executive, representatives of leading companies in the fashion, food, and technology industries, plus one industry association, were asked: *What would you need to convince your senior leadership to take on or apply a new or stronger set of human and labor rights standards in your supply chain?* What resulted were candid conversations that provided insights into the kinds of business cases and drivers that would enable corporate sustainability and sourcing teams to tackle the social issues prevalent – now more acutely evident with COVID-19 – in their supply chains. The conversations took place under the Chatham House Rule, allowing comments to be used but no individual or company names to be divulged.

The Universal Access Project (UAP) of the UN Foundation tapped IMPACT ROI, a leading firm in ESG (environment, social, and governance) and business performance analytics, to lead this research effort as part of UAP's initiative on Private Sector Action on Women's Health and Empowerment. This research complemented the initiative's efforts to understand and document the business case for corporate investments in women's health in global supply chains. The initial research goal was to identify what types of business case information would best persuade large corporate buyers to make programmatic and systemic changes in their supply chain to ensure women (and men) workers have access to reproductive health information and services. But a decision to invest in women's health in supply chains is not made in isolation. It is embedded in the overall corporate decision-making processes for what is known as responsible sourcing and in the policies, processes, and programs companies apply to ensure their suppliers adhere to a wide array of ESG priorities. The current state of responsible sourcing and corporate performance on ESG is essential context for understanding the drivers of a persuasive business case for women's health and many other social issues.

The research finds leading executives do *not* think that that the responsible sourcing movement, despite some real progress, is leading to positive ESG impact at a scale or scope that satisfies either the corporations or their stakeholders. Furthermore, executives are *not* seeing the expected implementation and effective follow-through, even when corporations adopt responsible sourcing policies, strategies, processes, and systems. Many executives interviewed suggest that the responsible sourcing movement needs a kickstart, and soon. As these executives work in corporations that represent leading examples of responsible sourcing performers in their own sectors and across industries, their revelations are particularly concerning. The implications for companies in lower tiers of performance are likely even worse.

While the executives provided frequently critical comments about the realities in their companies and industries, they also expressed belief in the value of their work and their companies' efforts. They described a complex set of internal and external challenges for transforming the ESG ecosystem, such as better data collection systems, improved supplier management and human resource functions, capacity building for local partner NGOs that implement programs, and more collective corporate action, among others. These challenges are summarized in five broad categories:

1. Insufficient case for financial returns and benefits
2. Inadequate corporate leadership and incentive structures
3. Structural & systemic barriers limiting implementation and impact
4. Weak public governance and policy
5. Insufficient NGO activism & capacity

The overarching recommendations from this research are (1) to drive collective action through a leadership coalition, with a suggested focus on gender equality and women's health, and (2) through this coalition, build alignment on strategies where coordinated action, investment and advocacy can lead jump start changes in responsible source and ESG.

Specifically, we propose three broad strategies:

1. Make a better business case – by collecting better data that speaks to businesses' core key performance indicators (KPIs) and building capacity to assess long-term social benefits.
2. Increase external pressure – by expanding NGO activism and improving government regulations.
3. Strengthen and align internal business systems – by addressing the organizational disconnect between public commitments and internal incentives.

These three strategies can serve as propellants for the major investments needed to transform the ESG ecosystem and build a supportive ESG ecosystem on responsible sourcing, gender equality, and women's health. These require mechanisms for collection action and coordination that will leverage investments in supplier management systems and data collection as well as NGO capacity.

II. Purpose, Context and Key Findings

This research was produced for the Private Sector Action for Women's Health and Empowerment initiative, which seeks to drive meaningful corporate action on key needs of women workers – basic health care, protection from harassment and violence, and economic advancement. It captures the views of executives of 20 leading corporations and one industry association on the challenges of transforming the conditions for workers in global supply chains. The immediate purpose was to determine what types of business case information persuaded large corporate buyers to take action on women's health in their global supply chains. Obtaining this information required seeking a broader understanding of decision-making processes for what is known as "responsible sourcing."* Any decision to invest in women's health initiatives across the supply chain reflects the policies, processes, and programs companies adopt in ensuring their suppliers adhere to a wide array of environmental, social, and governance (ESG) priorities.

The initiative, which is housed under the Universal Access Project of the United Nations Foundation, was launched in 2018 with its primary focus to generate public commitments by global companies with large supply chains employing millions of women to make long-term, systemic investments in the empowerment of women workers. Much corporate attention to gender equality and women's empowerment has been blind to the centrality of women's health to their professional advancement. Thus, the centerpiece of the initiative is women's health and access to reproductive health and family planning information and services. Women's health, protection against violence, and professional development are seen as the three pillars to enable poor women at the bottom of the economic ladder to join the workforce, remain in it, advance, and thrive.

The initiative also presupposes – based on a growing body of evidence – that companies that invest in women's health and empowerment not only improve worker well-being, but also generate direct business returns. Demonstrating to business a return on investment (ROI) for investments in worker well-being has been the ambition of many in civil society and government. It is assumed that a business case showing a strong ROI is essential to attracting corporate investments for environmental, social, and governance (ESG) concerns: If you prove it, they will invest.

The Private Sector Action for Women's Health and Empowerment initiative, likewise, has put time and resources into documenting the business case for women's health in global supply chains. It has tackled the business case in several ways:

- Convening companies, business groups, NGOs, and governments in forums where cost-effective good practices and emerging models are shared and partnering is facilitated.

* Responsible sourcing is also known as "responsible supply chain management," "ethical sourcing," and "sustainable supply chain management," among others.

- Producing costed business cases for targeted countries in Africa, South Asia, and Southeast Asia that consolidate the evidence for business returns from improved worker health in those countries.
- Identifying the range of financing models for workplace health programs and interventions.
- Establishing research studies on workplace-based health interventions that aim to determine the benefits to workers and companies.
- Producing or disseminating frameworks and tools that provide resources to companies that intend to make meaningful investments in women's health.

These activities helped the Private Sector Action initiative secure meaningful public commitments from 21 major brands, manufacturers, and business groups to expand access to women's health and gender-based violence (GBV) information and services to the people in their supply chains or direct workforces. "Meaningful" is defined as actions that embed intervention on women's health and empowerment in their business operations and systems, so that these commitments represent more than one-off training and education programs that last a year or two. For global brands, this initiative also seeks to link their commitment to their supply chain sourcing decisions, with measurable targets, with their broader commitment to responsible sourcing. Commitments – and targets – must be public, as the goal is to advance broader efforts to improve corporate data collection and reporting on social performance, including women's health, under established formats like the Global Reporting Initiative and newer ones like the World Benchmarking Alliance's Gender Benchmark.

Yet much of the initiative follows a well-articulated and increasingly common game plan – models and voluntary frameworks, convenings for collective action, changes in corporate policies and processes, public reporting and transparency, and business case evidence – used by NGOs, often in collaboration with companies and even governments across the responsible sourcing movement. The stakeholders in this movement advocate for companies to make a voluntary commitment to take ESG considerations into account when managing their relationships with suppliers.[1] This game plan has become the common way to address a variety of ESG concerns across the supply chain, such as child labor, human trafficking, living wage, greenhouse gas reduction, and gender equality.

But is this game plan, supported by current business case arguments and evidence, sufficient to meet the challenge?

Key Findings

The answer arising from the interviews is no. Our research questions whether this common game plan – and the current approach to business case arguments – can lead to anything more than incremental progress without fundamental changes.

[1] https://www.icc.fi/wp-content/uploads/ResponsibleSourcing-Brochure-final.pdf

This old approach is laudable but insufficient. The corporate executives interviewed for this report – who represent leaders in the responsible sourcing movement – state that while the positive impact of responsible sourcing, such as the increased health and well-being of women workers, was moving forward, the pace was slow, far from reaching scale in the near future. Beneficial impacts were scattered and inconsistent. And the Covid-19 pandemic has set back many responsible sourcing efforts, most dramatically for women workers and their health, safety, and well-being.

The pandemic and the emerging new world have caused many business leaders to rethink their social and environmental risks and supply chain relationships. This is a moment to consider making fundamental changes. Many executives interviewed describe a responsible sourcing movement that needs a kickstart, and soon. Their candid comments suggest that the Responsible Sourcing movement, despite the progress it has made, is *not*:

- Leading to positive ESG impact at a scale or scope that satisfies either the corporations or their stakeholders.
- Seeing expected implementation and effective follow-through, even when corporations adopt responsible sourcing policies, strategies, processes, and systems.

Many companies implement responsible sourcing strategies and commitments unevenly. Others are struggling to create the systems and structures for a more integrated, holistic approach. All are far from reaching the potential of responsible sourcing.

The major challenges to responsible sourcing described in the interviews all relate to the failure of the business case in the broadest meaning of the term – business drivers that determine corporate action and investment. Primary drivers are financial returns that tie to increased share price, growing revenues, and decreased costs. Other drivers are equally important, including government policy and regulation; public pressure, accountability, and measurement; ability and capacity to take action and determine success; and corporate leadership and incentives.

These form the ecosystem of business case challenges impeding responsible sourcing and coalesce into five categories. In Section 3, we summarize the current need for a revitalized responsible sourcing movement; Then in Section 4, we dig into these five business case challenges, sharing observations from the interview participants:

1. Insufficient case for financial returns and benefits
2. Inadequate corporate leadership and incentive structures
3. Structural & systemic barriers limiting implementation and impact
4. Weak public governance and policy
5. Insufficient NGO activism & capacity

In Section 5, based on these observations, we provide two recommendations for (2) collective action through a leadership coalition and (2) alignment on strategies where coordinated action, investment and advocacy can lead jump start changes in responsible source and ESG. What is needed now are a series of catalytic strategies to energize the next leap forward of implementation, application, enforcement, and support. We propose three broad strategies:

1. Make a better business case – by collecting better data that speaks to businesses' core key performance indicators (KPIs) and building capacity to assess long-term social benefits.
2. Increase external pressure – by expanding NGO activism, tied to consumer and investor pressure, and improving government regulations.
3. Strengthen and align internal business systems – by addressing the organizational disconnect between public commitments and internal incentives.

Advancing these strategies in a coordinated fashion has the potential to energize responsible sourcing, making it become the transformative force it is intended to be. They serve as propellants for collective action on building a supportive ESG ecosystem on responsible sourcing, gender equality and women's health.

Background on the Research

The findings and recommendations of this report result from structured interviews conducted with representatives of 20 leading companies from the fashion, food, and technology industries, plus one industry association respected for its thought leadership on responsible sourcing. Participants were chosen if they met the following criteria: they work for large global corporations with well-known brands known to take responsible sourcing seriously; they hold positions of influence over responsible sourcing; and they possess a global view of the responsible sourcing movement. Interviews were conducted under the Chatham House Rule, meaning the participants and their companies will remain anonymous while the report shares their observations and unattributed quotations. Every participating company is a prominent, highly recognizable brand name. In 2019, they collectively generated approximately USD $677 billion in revenues, more than the GDP of 157 countries.

The report bases its findings and recommendations entirely from these interviews and is informed by the authors' more than 20 years' experience in ESG. The findings are meant to serve as strategic research. The authors use the informed experience of some of the most advanced and progressive corporate responsible sourcing practitioners in the world to formulate a high-level strategy to guide those working to advance the movement. While the executives provided candid and frequently critical comments about the realities in their companies and industries and the need for the responsible sourcing movement to achieve better results at scale, they also expressed belief in the value of their work and their companies' efforts.

Each company in the sample more than passes the eye test regarding the quality of their commitment to responsible sourcing. At a minimum, every company interviewed implements generally accepted ESG compliance mechanisms for responsible sourcing, and several go further and make robust public disclosures regarding their commitments, progress, and in some instances, shortcomings.

Nine of the 20 corporations in the sample seek to be responsible sourcing leaders. These companies assess emerging ESG risks and needs, actively audit high-risk suppliers, commit resources to help suppliers improve ESG practices, and work to expand their ESG sourcing criteria and related disclosures faster than their peers. In these companies, sourcing decisions are influenced by ESG criteria, but those factors not do not have primacy. These companies often invest in innovative and strategic pilot initiatives to ensure high-risk suppliers support human and labor rights and/or good environmental practices. These pilot initiatives often explore ways to make the business case for suppliers to adopt ESG practices, and they address systemic issues and tackle root causes – such as by trying to combat the causes of poverty in the region where factories and/or farms are located.

Two corporations in the sample have made responsible sourcing central to their purpose, business model, and brand. They prioritize ESG as a supplier selection criterion and will invest what it takes to source responsibly. They believe ESG practices help differentiate their corporations from peers. Because the corporations in the sample represent leading examples of responsible sourcing performers in their own sectors and across industries generally, their revelations about the state of the field represent the strengths and shortcomings of companies making the most progress. The implications for companies in lower tiers of performance are therefore profoundly concerning.

III. The Need: Revitalizing the Responsible Sourcing Movement

> *"I'm not satisfied with the impact we are making…The same brands are the ones doing this work and we have not done enough and it's still just a fraction of what's needed to move an industry. I'm not surprised we haven't made more progress."*
>
> *"We have invested so much with NGOs, yet we see the same problems as 10 years ago…. We have a lot of work to do to get to compliance in factories. We still have issues on working hours and compliance with labor law. We need to get to compliance in a sustainable way."*
>
> – Executives from Fortune 1000 companies on responsible sourcing

Responsible sourcing has become a core management discipline across leading global corporations. Certainly, the voluntary commitment by companies to account for social and environmental considerations when managing their relationships with suppliers has made a positive difference. Responsible sourcing has helped improve conditions for workers across the world and reduce the environmental footprint of global commerce. Yet, responsible sourcing's outcomes to date have made only a dent. It has not met its potential to transform global commerce into a driver that helps achieve the UN Sustainable Development Goals (SDGs) by using market forces to reward responsible and sustainable behaviors while punishing unethical, unlawful, and destructive actions.

Consider the following:

- Supply chain greenhouse gas emissions are, on average, 5.5 times as high as a corporation's direct emissions.[2]
- At least 25 million workers in global supply chains are forced laborers.[3]
- Approximately 152 million underage children work in global supply chains.[4]
- In many countries vital to the supply chains of the fashion, food, and technology industries, women face discrimination, harassment, abuse, and challenges to advancement in the workplace. For example, in India, 34% of factory managers believe "there are times when a woman deserves to be beaten."[5] In addition, lower wage women workers face personal and family-related health issues that, due to a dearth of available services, can lead to high rates of absenteeism.[6]

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[2] https://www.cdp.net/en/articles/media/supply-chains-hold-the-key-to-one-gigaton-of-emissions-savings-finds-new-report

[3] http://mneguidelines.oecd.org/Summary-Ending-child-labour-forced-labour-and-human-trafficking-in-global-supply-chains.pdf

[4] http://mneguidelines.oecd.org/Summary-Ending-child-labour-forced-labour-and-human-trafficking-in-global-supply-chains.pdf

[5] https://www.bsr.org/en/our-insights/blog-view/violence-against-women-supply-chains-opportunity-to-measure-and-fight

[6] Stiehl, Emily, et al, "Worksite Health Promotion for Low-wage Workers," February 2018, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5770241/.

In this context, both impatience and dissatisfaction with responsible sourcing's outcomes are growing. A series of reports issued in 2018-2019 by a variety of NGOs and thought leaders find that responsible sourcing has not improved working conditions on the factory floor despite the expenditure of more than USD $8 billion a year in corporate responsibility activities.[7] This is particularly true of the social and governance issues represented by ESG. A study released in February 2021 of more than 12,500 senior executives of companies based in the United States, UK, France, and Germany found that only 37% ranked their performance on social issues as very effective.[8]

At the root of responsible sourcing's lackluster performance lie the inconsistent enforcement and implementation of the wide range of responsible sourcing policies, codes of conduct, processes, risk assessments, factory audits, supplier development programs, and public disclosures that companies have increasingly adopted.

In the context of limited and inconsistent enforcement, suppliers that abuse workers and ecosystems can find ways to game the system. Corporations without a clear line of sight between responsible sourcing and profitability will shortchange the resources required to hold suppliers to account. Even corporations rated as best-in-class for their responsible sourcing approach employ an unstated form of triage that calculates which supply chain social or environmental violation (e.g., child labor) is more pressing to manage than another (e.g., the health and well-being of women workers).

The professionalization of responsible sourcing is largely a positive development. It arose in response to the separation of manufacturing and production from design and marketing, enabled by global trade, in which "suppliers" provide goods and services to "brands" or "buyers." Increasingly, corporate brands took advantage of a globalizing economy driven by free trade policies and cheap global communication to outsource production around the world to firms that built specialized capabilities to produce components and parts, obtain and process natural resources, and provide services. Corporate brands established supply chain management functions. These functions sometimes split into a purchasing group that procures the goods and services, and a supply chain group that ensures quality and timeliness of delivery.

As a shorthand, this report uses "sourcing" to capture the full range of supply chain management activities. The sourcing department expanded its role to negotiate contracts all over the world with low-cost factories, while ensuring these suppliers met quality standards. Increasingly, the sourcing department turned to so-called "supplier" countries with weak government regulation and oversight, weak or government-controlled labor unions, and workers who are paid very low wages. In so doing, they prioritized low-cost purchasing and

[7] Brown, Garret, "New reports shine spotlight on underlying causes of terrible working conditions in global supply chains," http://www.thepumphandle.org/2019/09/04/new-reports-shine-spotlight-on-underlying-causes-of-terrible-working-conditions-in-global-supply-chains/#.XZJ3BSV7mu4, 4 September 2019.

overlooked practices that put workers, ecosystems, and communities at risk. As major global corporations increasingly sourced manufactured goods from Central America and South and East Asia, they also began to be held accountable by NGOs for the working conditions in and environmental impacts of their suppliers, which are legally independent companies operating factories. The same trend occurred in the agribusiness and extractive industries.

In response, NGOs engaged in confrontational activism – naming and shaming prominent brands for sourcing from sweatshops, environmental laggards, and human traffickers, among other problems. This drove initiatives to fill the role governments had abdicated with voluntary standards that established a set of commitments, behaviors, policies, and practices for companies to willingly embrace. They pushed companies to publicly report on their progress adhering to voluntary commitments. Now a common expectation is for companies to engage third parties to conduct ESG audits of high-risk suppliers. These high-risk suppliers are often several tiers away from the brand along the supply chain; that is, they are suppliers to a company's suppliers (or they are suppliers to the suppliers of a company's main suppliers). Auditors typically arrive unannounced to assess whether the supplier is adhering to responsible ESG practices. If the answer is no, the auditor informs the corporate brand, which should then demand that the supplier correct problems and provide evidence of progress. To manage these processes, many companies established responsible sourcing teams that sat within or worked closely with a corporate responsibility or sustainability group.

The good news is that more and more corporations are establishing infrastructure to use responsible sourcing as its purpose intends – to drive forward a virtuous cycle where every actor in the global supply chain makes choices to do the right thing repeatedly until it becomes habitual. Many corporations have built the skills and staff competencies to lead and manage a responsible sourcing approach. They have strategies, policies, processes, and systems to manage responsible sourcing around the world.

Nevertheless, as corporate executives explain in the next section, major challenges remain for reaching scale and transformation.

IV. Identifying Challenges to Responsible Sourcing

Over the past few years, corporate CEOs and CFOs have put themselves in a contradictory position. Many have become outspoken champions for corporate purpose and ESG, with responsible sourcing as a pillar of their commitments. At the same time, they continue to segregate responsible sourcing from strategic decision-making, which is driven mainly by metrics of profitability and cost control. The fact that the sourcing function typically holds very little power within the corporation compounds this contradiction. The sourcing group often struggles for attention and thus concentrates on advancing traditional key performance indicators (KPIs) of cost, quality, speed, and reliability that relate to the metrics their C-suites[9] care most about.

This contradiction underpins a set of core challenges that inhibit the progress of responsible sourcing:

1. Insufficient case for financial returns and benefits
2. Inadequate leadership and incentive structures
3. Structural and systemic barriers limiting implementation and impact
4. Weak public governance and policy
5. Insufficient NGO activism and capacity

Each of these five areas was identified as a challenge or obstacle to realizing the promise of Responsible Sourcing.

1. Insufficient case for financial returns and benefits

"[I]t's hard to say if we adopt a new ESG criterion it will lead to business results."

The business case research on financial returns from ESG is insufficient. None of the key corporate stakeholders – the corporate C-Suite leaders, the investment community, or the factory and farm management – are getting the business case they need to commit fully to responsible sourcing. Biases for short-term KPIs and metrics inhibit data collection that would show the longer-term impacts associated with responsible sourcing.

– ***Showing impact on share price***

Many corporate executives said that what the C-suite needs from responsible sourcing is to prove that it supports KPIs that drive shareholder value. While these may differ from one company to the next, they typically include such elements as revenue and cost reduction. Some companies may add risk, market share, growth, and brand.

[9] The C-suite describes a corporation's most important senior executives. C-suite gets its name from the titles of top senior executives, which tend to start with the word "chief," as in chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), chief marketing officer (CMO), etc.

In contrast, advocates for responsible sourcing typically make a business case that focuses on the following arguments:

1. *Human capital metrics.* Responsible sourcing may help suppliers improve such metrics as employee retention, absenteeism, and productivity. In theory, these should reduce supplier costs and improve quality, speed, and reliability, helping the corporate sourcing team meet its goals. C-suites typically find the available research on this somewhat vague and unpersuasive.
2. *Brand positioning*. Brand value matters to the C-suite, but there is yet no commonly accepted way of quantifying brand value. Semi-quantitative findings will move the C-suite only so far unless the corporation prioritizes brand value as its most important KPI.
3. *Employee recruitment and retention*. Commitments to responsible sourcing support the brand's recruitment, retention, and employee engagement (i.e., employee satisfaction and commitment) metrics. While helpful, CEOs who emphasize the "war for talent" and say that "people are our most valuable asset" generally do not give recruitment and retention equal status as metrics of profitability.
4. *Consumer purchasing.* Customers increasingly prefer to purchase from companies that commit to source from responsible suppliers. However, it's difficult for customers to monitor responsible sourcing performance and their influence remains constrained.
5. *Reputation and other forms of risk*. Threats of activism that lead to public relations crises are big concerns to the C-suite. Corporate leaders know this can lead to losses in share price and revenue, but they also know that such events occur relatively infrequently.

While corporations appreciate the business benefits the current responsible sourcing research identifies, this business case does not make an appreciable difference in share price by driving revenue growth or cost reduction at scale. The research is useful but insufficient. As one executive said, *"The business cares about the business and wants an answer if it's profitable. If studies show nuanced benefits at the factory level that emerge over the long term, that won't influence the C-suite to act."*

Others said:

> *"To prove the business case, we need start with the cost and risk. We are not there yet… We are trying to push for minimum wage but…there's no business case…they'll believe [for that]…. The traditional business case that the UN Foundation does? The leaders in my companies don't really see them."*

> *"Having conversations with the C-suite and supply chain will start with cost and price. If it's a fear-based competition to find cost savings, there isn't a lot of room in that decision making, once a factory has been approved, for humanitarian and environmental thinking…. There are business cases that say [responsible sourcing is] great, but when it comes down to speed, cost, -- and consumer demand is pressuring us – and the timeline becomes condensed it always comes down to cost… If a company can easily see that we can calculate savings clearly then it will be easier for them to adopt."*

"Cost reduction will be the most important KPI. They always look for that…They only look for cost reduction."

"[F]ocusing on the most important business KPIs for the business case is important. For us, that will be share price and quality. If you can show that women's health or human rights or another ESG criterion affects those KPIs, that will get executive attention."

Doing a better job of proving that responsible sourcing supports or does not detract from corporate financial performance is essential to gain and keep the support of the C-suite. Without that support, responsible sourcing cannot grow and will likely come under threat the next time a C-suite engages in budget cuts or restructuring.

– ***Inadequate supplier capacity***

For high-risk suppliers, the challenge is different. Better business case metrics often do not make a difference or offset the strong perception that ESG is ultimately a burden regardless of any benefit. These higher-risk factories and farms typically lack the management systems to track data around employee costs, productivity, or engagement, so the potential benefits fall on deaf ears. Corporate executives said that the wide range of quality of management systems and processes can make even specific business case research ineffective in convincing factory management:

"We often talk about a business case, but our factories roll their eyes and are skeptical of the business case for this work…. Theoretically, the business case works, but does it work in reality? Do we have enough proof and actual case studies? Sometimes it's not a direct cash benefit. Sometimes small family-run businesses don't have sophisticated accounting departments. They watch cash and expenses. In that context, the business case can be longer term, and it won't matter if you are thinking month to month. You also see customers negotiate so hard on price where the supplier feels they're not earning profit and they are told they have to add a program that 'has no value'."

Those high-risk suppliers with less-sophisticated operations and information management systems can measure only rudimentary business KPIs. The analytics required to understand and measure the ESG business case may be beyond their capabilities.

"[T]he business case we make doesn't hold with factories and suppliers. They aren't convinced or interested. They don't have good data and they don't know their absenteeism rates. We don't bring them along in that journey. I've never found a supplier who resonates [with this business case]. What is the business case I need to make for them? We need their top and mid management. If the latter aren't bought in, we don't get anywhere. I've seen where the manager said, 'Oh, the workers say good morning now' and that was his business case! They don't have the money for good management systems. First, for a lot of factories, we need to do work on data and management systems for them and for HR.

– ***Bias for Short-Term Metrics***

Publicly traded companies are under pressure to provide shareholders data on corporate performance every three months. This drives an organizational bias for highly quantifiable metrics that can be measured in the short term. It is difficult to provide quantifiable metrics on supplier ESG performance in this time frame, much less show the connection between ESG metrics and financial results every quarter. Many of the corporate executives emphasized this problem of short-term, narrow vision:

> *"…[G]ood practices will reduce the price [charged by suppliers] for us. I believe in it 100%. There's a business case… Unhappy and unmotivated workers have poor health indicators, and their output is hindered. Our industry has a short-term focus and hourly output is the only criteria that matters for factories and us. The business case takes longer to realize – at least a few months, if not longer to realize the benefits of treating workers better and giving them trust, rest time, and rights, but it doesn't show up in 1-3 weeks. The system is set up to recognize short-term, immediate outputs. This is where there's fundamental tension. This is where you have to convince leaders to take the chance and wait longer than 6 months. If it takes a few years, then what are the intermediate signs of progress to show business leaders?"*

> *"Programs take a long time to embed in the supply chain. Gender violence isn't something you can fix overnight in the supply chain. There are so many factors. You can get buy in but to deliver against the complexity is a different matter altogether."*

> *"If I'm honest, we are very risk and reactively driven. It's very hard, and easier [to talk] about what we shouldn't do as opposed to what we should do. And that's why it's hard to get positive results for workers like health and why we focused on negative rights."*[10]

Evidence is mounting that ESG activities such as responsible sourcing drive improved financial performance.[11] While there are situations in which responsible sourcing practices can support strong quarterly financial returns, it is more likely that the financial benefits will appear over one-to-three years or more. When talking to investors, C-Suite leaders need to exhibit the confidence, commitment, and communication skills to take a stand to support a business case that will emerge over this time frame. As one executive noted, good research does not make people change: It requires leaders who will attend to the information and act on it.

2. Inadequate leadership and incentive structures

> *"Who's pushing this? Is it the CEO who has been sitting with rich people at Davos who want to save people? [W]hat is that leader's commitment to force their direct reports to make changes accordingly and will they provide political cover to staff to make those changes?... Is the CEO really going to lean in on this and tell the Chief Procurement Officer to change stuff? Who will take the risk to give cover to less powerful people to do something different?"*

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[10] Examples of "negative rights" are the right to live, to be free, freedom of speech, freedom of religion, freedom from violence, freedom from slavery, and property rights.

[11] See for example, Steve Rochlin, et al's Project ROI research. http://www.impactroiglobal.com/project-roi/

"If they [corporate leaders] subscribe to the Friedman view, then it's hard to make the argument [for responsible sourcing investments.]"[12]

In the past decades, C-suite leaders have made decisions to create ESG teams and responsible sourcing managers. They have signed off on public, third-party commitments that make their corporations accountable for the ESG performance of their suppliers. They have agreed to allocate budget and resources for supply chain risk assessments and audits.

However, with few exceptions, C-suite leaders are not performing the supportive and enabling role they need to in order to help responsible sourcing to reach its potential. Some of the executives interviewed touted the strong support and engagement of their CEOs, but many others said the CEO or other C-suite leaders had not embraced the next step to transform the company's approach to support responsible supply chain management. They have not responded to requests to afford ESG criteria the status to drive supplier selection and retention decisions. One executive described the C-suite as "protected and in a bubble," noting that the system itself can shields leaders from the realities of what's happening in the field.

The lack of leadership is visible in four ways: inadequate resources, influence, and prioritization; misalignment within the C-suite; inadequate incentives; and lack of C-suite engagement in supply chain management.

– ***Inadequate Resources, Influence, and Prioritization***

Many brands do not allocate resources to engage in system-wide improvements and corrective action programs. They do not enable companies to scale ESG supplier development programs. As a result, responsible sourcing programs are weak and have little impact. For example, suppliers may learn that, even when audits unveil major violations, very little about their business relationship with the buyer in question will change. Further, the sourcing team often lacks status and influence inside the corporation; in many corporations, the C-suite views the sourcing team as a staff function, rather than a line function with profit and loss responsibility, so sourcing team managers enjoy fewer resources and influence.

"Only rarely and in a small way does the business see ESG as a trait for a good supplier."

"First the question is, what is the benefit for our business, and would we need more budget? Often, they are afraid that it means more work, more benchmarks, more questions, more work for our suppliers. They want to understand how it would benefit our business or our supplier businesses. Honestly, I think we need a mind shift…. It is not that easy to get our finance and procurement guys to support this…. We don't get the budget for this anymore right now. We have a lot of budget for climate right now but not that much for human rights

[12] Nobel Prize-winning economist Milton Friedman famously asserted that the "business of business is business" and that the social responsibility of business is shareholder value and profit maximization. His views have been used to make the case against ESG and programs such as responsible sourcing. The ESG movement has had to struggle to overcome the Friedman view, which is often held by influential leaders such as Wall Street investors, C-suite executives, and certain elected officials.

and supply chain. Hopefully, next year we will get more. Often it is about networking internally to get budget."

"I've heard there's trepidation to audit these suppliers because we have a good locked-in rate and we're paying less for the part than our competitor and let's not rock the boat. Our [responsible] supply chain folks run into this regularly. If there is a quality issue, then they'll get full support. But if they raise ESG concerns then there will be push back."

"The procurement function is not perceived as a strategic function, but they'd like it to be perceived this way…. [T]here is a sense among procurement professionals that they are under-resourced and don't have time for more work. Their budgets are stripped and to do more with less is not received well. There is difficulty in parsing whether a company is acting meaningfully and genuinely at a senior level of leadership even to the point of compromising shareholder returns."

– ***Misalignment within the C-Suite**.*

Too often, leaders in the C-suite are not aligned on ESG, and the CFO and legal department can slow down or even halt ESG implementation:

"*Those CFOs have a tremendous amount of power… eventually [a responsible sourcing program] goes to them if it will go forward…. You always want to avoid cost and risk rather than [saying] here's this pot of gold at the end of the rainbow and give me the money and I'll get it for you. Most CFOs are boring [and not strategic]… and just look at cost. They don't see it driving strategy. Our current lawyer is crappy... The CFO and lawyer will always say no first."*

"We will look the other way on labor conditions if we can get a quick financial payout. We are not unique in making that decision… There is pressure to hurry up and grow. The C-suite might agree to an ESG initiative, but the Board says no."

"It's intentional that the C-suite is getting removed from the supply chain. It's a game… We want the C-suite to say, 'We know there are real challenges, and we want solutions.'"

"Finance didn't understand how important it was to involve more ESG criteria going forward…. If I explain this to finance and HR leaders…they still don't get it…. We need more pressure… We are so much more behind on supply chain and human rights topics… No one talks about these things. The problem is that you can't reach the CEO with these topics. If [the CEO] would know more about these topics and how easy it is to solve these topics we could get buy in. You need people to get access to the CEO and CFO and then you can push these topics… Sometimes I think they don't want to understand it. It's nice to have these Human Rights Impact Assessments but if you don't change anything, then what is the point?"

– ***Inadequate Incentives for Responsible Sourcing***

The C-suite supports incentive structures that undermine corporate ESG commitments and the promise of responsible sourcing. The sourcing team has an essential KPI to reduce the costs of supply chain management, and sourcing leaders perceive ESG criteria as adding costs. Supply chain managers do not see a beneficial connection between other traditional KPIs (e.g., quality, reliability, speed) with ESG either.

> *"The attitude of sourcing is not thinking about being a source for good. They get compensated by making sure that the enterprise is profitable. The people placing orders – they are not part of the civic culture inside the business. They came up through the supply chain and might be raw materials people. They think only about making the [product] in a profitable way. They are compensated based on the margin. It's why so many brands are in [high risk countries]. McKinsey does a study and says it's good for your margin because wage rates are lower so migrate to the lower-wage country…. The more you reduce the cost, the less you can do in CSR. If you talk to brand CEOs and marketing people, they think the brand is doing great things around the world, but they don't place orders with factories."*

> *"It would be hard to get executive sign off [to adopt new ESG sourcing standards]. They get concerned about signing up for things far beyond our control. This is two to three layers beyond our control, and this is true for all these human and labor rights areas."*

> *"At end of day, people who manage those [supplier] relationships are incentivized by cost and short-term thinking. [It's] built on extracting value on a short-term contract. As a trader and procurement officer, your job is to get so many [supplies] per month... It would be interesting to see if we would fire someone over ESG if they are getting products to us on time. If your supplier doesn't hit the [production] targets, then there's a continuous improvement plan… [It would be an] interesting thing to ask the procurement officer or CEO: Are you going to replace people, for example a great salesperson, [if they] don't meet ESG standards?"*

– ***Lack of C-Suite Engagement in Supply Chain Management***

C-suite leaders can be far removed from the day-to-day realities of the supply chain. This distance puts responsible sourcing teams at a disadvantage in securing support, attention, and resources for ESG issues and efforts.

> *"The challenge with the supply chain is that it's very far removed from leaders. They are very driven by the heart. They are driven by the 'right thing to do.' I hear that so frequently. Our CEO drives a culture of servant leadership. But when you get 3 steps removed, middle managers feel the everyday pressures of sales goals and quality standards. They are trying to make the numbers. That's the challenge between the ultimate decision makers who are a few levels removed from middle managers."*

> *"[The key decision maker] will be the president of the line of business. If we'll need to override our status quo because of human rights violations, we'll need them. It is hard to get to them. CFOs are a powerful decision maker and really need to be educated. I can't tell you how many executives ask, 'Why would human rights be a material topic for us?' I say, 'Well, we have thousands of suppliers and there are huge opportunities for human rights*

violations.' They can't envision it because they are so far away from understanding our supply chain and don't get or see that the [supplier] might abuse his women workers."

The lack of leadership from some or all parts of the C-suite puts a brake on responsible sourcing. It is difficult to expect more than incremental improvements if ESG is not integrated in business strategy and expressed through resources, incentives, and political support.

3. Structural and systemic barriers to implementation

"We do have the struggle of a divide between adoption and implementation. Companies including us say pretty dramatic things and we bask in the glow versus focusing on the follow through. I see that with a lot of companies…"

"The friction in moving from adoption of a new ESG criterion to real implementation is real. It is hard to get meaningful implementation."

"We are all very good at the lip service piece."

Responsible sourcing managers confront a variety of internal and systemic barriers that hinder their ability to set and achieve ambitious ESG goals at the supplier level. The executives interviewed emphasized the complexities of managing a supply chain that works against embracing ESG criteria. One said, "*We have 50 top priorities, and number 51 will be related to ESG*." Another added: "*When you implement things on the ground it takes a lot longer. For example, I'll need to involve my headquarters sourcing team, the regional sourcing team, the responsible sourcing team, maybe the merchandizing team – it's complicated…. You have to be performing while you are transforming."* Within this complex ecosystem of competing priorities and often contradictory demands, they highlighted the limitations of auditing, sourcing team resistance, lack of good data, and supplier resistance and lack of capacity.

– ***The Limitations of Auditing***

While most executives acknowledge the need for some level of auditing of suppliers, there is growing recognition that auditing does little to change the behavior of suppliers, particularly high-risk ones. Yet, managers feel pressure to conduct more audits to prove compliance despite their being relatively ineffective.

"The suppliers are incredibly skilled at gaming the audit system."

"Going in an auditing direction is a 2000 mentality. Auditing is not the answer… It's not that the factory managers want to be in violation. These audits are painful to them and they're under pressure and costly."

"We've been trying for five years to right size the audits. We are doing capability building, government engagement, etc., but I still feel that we have an audit ecosystem that we can't break away from."

– ***Sourcing Team Resistance***

Several factors contribute to the parent sourcing team's resistance to advance responsible sourcing goals and practices with suppliers. The resistance is not surprising, especially when the team has formed trusted and reliable relationships with suppliers that perform well on traditional KPIs. The sourcing team frequently feels under-resourced and overstretched. Typically, sourcing teams will adopt new ESG criteria only if they fit seamlessly with the processes and procedures the corporation has in place. Managing ESG requires companies to adapt and expand their scope of responsibility and embrace new strategies and systems frequently, which requires fundamental changes that large organizations often resist. Some sourcing teams find ESG issues abstract; sourcing managers lack knowledge and training on how to relate ESG trends to supply chain risks and opportunities, even when they are material.

> *"I'm here to add cost and complexity to their business. We don't give suppliers a ton of resources to be able to do that."*
>
> *"[P]urchasing decisions that are influenced by ESG are pretty novel for companies. They are only now waking up to the power of where you procure and going beyond the best price and quality and moving to partner with suppliers to see how your supply chain can make positive impact on sustainable economic development."*
>
> *"We have our own policies and procedures. If we need to change those to incorporate [new ESG] criteria that is a big barrier. If it fits, then it's easier to build them in over time. We'd have to figure out if women's health and empowerment is aligned with our [existing ESG] principles."*
>
> *"It's important not to overwhelm suppliers with too many issues."*

– ***Lack of Good Data***

Corporations find it difficult to get sufficient high-quality data and manage supplier information in real time. This means corporations have difficulty determining whether high-risk suppliers are in compliance with their own supplier codes of responsible conduct and whether responsible sourcing programs are working. Without good data systems, companies cannot differentiate themselves, for example, by informing investors, customers, and employees that their products are sourced responsibly. Companies lack the systems and resources to follow the ESG performance and shortcomings of global suppliers that can reach around the globe and stretch into the thousands – if not hundreds of thousands – of companies.

> *"[ESG represents] a systemic risk but it is so big a procurement officer can't wrap their head around the challenge."*
>
> *"Technology for us is a big barrier. We don't have an all-inclusive supplier scorecard to evaluate how suppliers are performing on CR activities or other criteria for that matter."*
>
> *"[T]he biggest obstacle is transparency beyond the contract. We write awesome contracts and my knowledge of what happens after that is incredibly lacking. And this is with making*

huge improvements. We need true partners to show us what's going on…. It is easy to add [sourcing criteria] and incredibly difficult to track. Will I spend a ton of money to audit? It gets cost prohibitive. If I self-report, then an NGO might find otherwise."

"We are inadequate at driving systems to get real-time data to drive decision making and inform consumers at the point of sale. We underestimate the importance of systems and connecting them… We are trying to pull data points into one dashboard. It's duct tape, string, etc. Then we try to collaborate at the industry level and the systems problems are exacerbated. We want [International Labor Organization] to be a hub for social data. You need investors and key [B2B] customers…to ask for it. If they want it and reward you for it, it brings you to a different realm of conversation."

"[There] are organizations that do the least they can while trying to look good. It's so hard to get information to determine which side of the spectrum you're at. We should ask this question and the challenge in answering it is vexing. It's best addressed by increasing transparency but we're not there yet. This is a core problem – this challenge of accountability and transparency. I don't know who are genuine leaders and who are not because our accountability mechanisms are not robust enough."

– ***Supplier Resistance and Lack of Capacity***

The power of suppliers to create obstacles because they resist corporate ESG policies or lack the capacity and expertise to implement requirements should not be underestimated. In some cases, suppliers lack personnel and data systems to capture the business case; in others, they don't have sufficient operating budgets to invest in improvements; and brands often have less influence over suppliers than one might expect. This opens the door for suppliers to game the system:

"The factory owners get better in understanding the rhetoric that buyers want. They study for the test and conditions don't actually get better. They figure out what the customer wants to hear. They don't understand how to make changes to enhance the well-being of [their] work force."

With some exceptions, global B2B suppliers have responsible sourcing approaches that match – or even exceed – those of their corporate customers. In contrast, smaller factories and farms based outside of OECD countries often lack understanding of the ESG business case and how to translate ESG requirements into tangible processes. These suppliers may lag in their adoption of fundamental good management practices related to planning, execution, and human resource management.

"Most factories have challenges with basic compliance. When it goes beyond compliance our strategy is that it only makes sense when a factory is ready to move from basic compliance. If a factory can't pay minimum wage, then asking them to move to fair trade is too much to ask."

It is not surprising that suppliers are often unwilling to pay to implement ESG processes and programs that they perceive as adding costs without generating commensurate value.

"We also look at what the suppliers will pay. They are always hypersensitive to spending money. To embed a grievance mechanism that was $5,000 for 5,000 workers was seen as too expensive! We need to make sure that they buy in."

Despite a brand's overall size, it may represent only a small share of the production in any given factory. Suppliers often respond only to requests from their largest customers and ignore the rest. Suppliers with monopoly power – such as when they are the only provider of a vital component, material, or service – can ignore a brand's ESG requirements.

"Most companies are a minority purchaser of any factory. They may even buy through a middleman purchasing agency… The majority don't have…leverage."

"Our suppliers are at different levels of strategic priority. If we have 200 suppliers, maybe only 50 are strategic partners where we will have more influence. The others we have limited business leverage, and we don't have a lot of impact to drive continuous improvement, and this is where collaboration is critical."

"The more monopolistic power the supplier has, the bigger challenge we have to keep pushing for labor rights."

"Depending on the specialization of your business, you could have single-source suppliers where there are only 1 or 2 manufacturers of this thing in the world. So, we don't have a lot of leverage for continuous improvement. These suppliers know they're the only game in town. Across our supply chain, there are a number of rare materials in our product that present this challenge. Getting a new ESG criterion is one thing, but getting our suppliers to commit to continuous ESG improvement is a big challenge."

"Some [high-risk] suppliers are bigger than [we are and we can't influence them]! They are owned by very rich families."

4. Government & Public Policy Failures

"Government is often completely missing, and business can't fix everything."

Many of the ESG issues in the supply chain reflect failures of national public policy and governance. When governments are unable or unwilling to enforce labor laws, environmental regulations, and other ESG-related policies, it is difficult if not impossible for corporate buyers to influence the behavior of suppliers. Executives also note a challenge with national law in buyers' home countries where anti-trust concerns limit progress. Greater collaboration would help address barriers such as supplier resistance, but laws and regulations designed to prevent collusion have the unintended consequence of constraining creative strategies that might bring responsible sourcing to scale.

"Governments don't require [our] industry to do anything…. [A]uthoritarian governments…can terrorize and intimidate movements [trying] to improve conditions in the workforce. They've gained power and that offsets the trend to customer awareness…and

they can throw any activist in jail. Brands send letters of concern but basically that's a joke. Everyone knows that NGOs are outlawed."

"Countries have no resources and infrastructure, and no amount of investment will help unless that gets solved. For example, living wage…. We can't solve that. That's a government challenge that we can support but can't solve."

"Let's say you work for [my competitor] and we have the same [supplier]. We can't positively collude. But we both need the [supplier] to be sustainable and invest in better tech but I can't talk to you about it. Government isn't flexible enough to see the legitimate value of collusion for social good. They only see social collusion as bad. It's hard to make that happen... Our own lawyers are key… They are deathly afraid of collusion."

5. Insufficient NGO Activism and Capacity

"The companies that I've worked with say the best strategy is to be vicious attacking the CEO publicly. This is the most effective strategy by far in getting action. This is the best strategy."

"We need more pressure."

Campaigning activists have played a central role in advancing the responsible sourcing movement. Activists have become sophisticated enough to affect how investors assess risk, using a range of strategies to "name and shame" companies in ways that would harm brands and reputations and scare away customers, employees, and investors. They have led prominent campaigns accusing major brands of sourcing from suppliers that create sweatshop conditions, employ child labor, and violate fundamental human and labor rights.

Yet today, corporations see fewer and fewer campaigns that threaten them across the court of public opinion. The reduced presence of pressure groups and activist campaigns for all but the most prominent corporations that get the most attention has allowed companies to grow comfortable taking an approach to responsible sourcing that lacks follow through and enforcement.

At the same time, companies and technical assistance NGOs have developed mechanisms to form partnerships around the world, and executives see these partnerships as essential for making their responsible sourcing approaches work. However, executives are growing increasingly frustrated because too few NGOs offering technical assistance services actually have the capacity to support the breadth and depth of global supply chains, adequate sophistication about the business, or the necessary resources to be effective partners.

There are four major barriers to NGO effectiveness:

- Insufficient activism;
- Corporate NGO greenwashing;
- Lack of knowledge and capabilities; and

- Limited resources.

– ***Insufficient Activism***

The most surprising theme heard from corporate executives is that effective ESG implementation needs more NGO activism, with the caveat that activists must be more sophisticated about their demands. Corporations find that many NGOs expect full compliance with their requests and are unwilling to adapt to the challenges that businesses face operating global supply chains in challenging regions.

> *"[F]ew activists actually are campaigning hard against brands because they are getting captured by corporate money. There's a gravy train. Everyone gets dessert but the architecture of the supply chain is malnourishing…. Activists raise money and it's getting in their way…. More are… demanding to sign on to commitments. So, you get sign-ons but then there's no follow through."*
>
> *"NGO pressure and campaigns are a huge driver."*
>
> *"There are some NGOs that have a diehard approach. This can be helpful especially if they are calling out abhorrent human rights abuses…. [T]hey could affect our consumer."*
>
> *"I think there's an important role for advocacy groups….Constructive critics help move this forward….Those that are too strident are not very helpful….[B]ased on [an activist campaign] we did due diligence studies on our…supply chain in 24 countries and looked at our most risky areas. Based on our learnings we worked with partners to address…the risks."*
>
> *"If we see more activism to a certain extent it can help the business push for certain issues and improvement on ESG. But it's tricky because it will negatively affect our ability to collaborate."*

– ***Corporate NGO Greenwashing***

Corporations are finding that reporting their responsible sourcing policies, processes, and intentions publicly creates some insulation from the expectation that they will make a tangible difference in improving the well-being of workers and environmental systems. Few NGOs truly hold companies accountable, and some companies fund NGOs that would perform this role, creating conflicts of interest. Responsible sourcing leaders worry that this is no different from greenwashing and public relations spin.

> *"We have proxies through NGOs and the extent to which an NGO considers corporate actions credible. But the problem is that a growing number of NGOs in the space get funding from companies that take actions on those issue areas and it's hard to tell how honest they are."*

– ***Lack of NGO Knowledge and Capabilities***

Corporations find that NGO partners lack the necessary knowledge and capabilities to be effective. While many are expert on specific ESG issues, they lack knowledge regarding business models, the technical aspects of supply chain management, and the business case. Though there are a number of highly capable, effective NGOs, they don't have the resources to partner across the full scope of a global supply chain for more than a few companies at a time. Too few NGOs understand how businesses manage supply chain issues, and they give corporations advice that seems unreasonable from the business perspective.

"It would be useful to have consolidation with NGOs and with multi-stakeholder Initiatives. There's been a proliferation of those multi-stakeholder initiatives, and they start self-sustaining, and it would be helpful to have fewer."

"We have invested so much with NGOs, yet we see the same problems as 10 years ago…. We've found NGOs that are incredibly effective. We have a great partnership with [NGO redacted] to develop remediation for child labor. That grew to a child rights framework and strategy that we scaled. On the other hand, we've had challenges with NGOs. One partner takes months to give feedback on company-developed strategies. There's a spectrum and that's the real challenge."

"[No] one makes the business case. No one. They say, 'The business case is that more women should work in [our supply chain].' That says nothing! Development [NGOs try] to push solutions into the private sector and the sourcing mangers says, 'Dude, my job is to buy [supplies] and I'll get fired if I don't. So, I won't lose my job for women's health if it conflicts.' This is true across the board. We get women are great but why should…procurement and operations care?"

"On the barriers it has a lot to do with the providers there to support these issues. For example, there are a lot of great providers on compliance and remediation. But when you want to build management and HR systems there is a dearth to really support the development of these systems."

– **Limited NGOs Resources**

There are many talented and knowledgeable NGOs that can serve as effective partners to help design and implement programs, work on the ground to monitor high-risk suppliers, and support corrective action. However, the best NGOs often lack the resources to scale the support they can provide and they often compete with other NGOs for resources, rather than collaborate.

"There are many very capable partners that have most of the answers. Our partners on the ground can work magic. The system is stacked against them… The fact they can do anything in factories is a testimony to their capabilities. They are swimming against the current in a system that isn't conducive. The problem is that there aren't enough partners to suit the needs that are out there. Most of the support for partners are program specific and tied to outputs. You need to invest in their organizational development and growth and that's severely lacking. Brands are expecting too much given that there's underfunding… All of the groups that can service factories are a drop in the bucket."

“I’d like NGOs to come together as well and not so much NGO competition for funding their own initiative. We see that things don’t go as fast as they could because of competition.”

“NGOs can be catalysts in the implementing process to identify a solution for challenges that we face or initiatives that we are trying to advance. I think there are scenarios where multiple NGOs are doing similar things. It will be helpful for them to join up. We are getting fatigued in the compliance world and it would be good to be more aligned.”

“[M]y focus is on scale. Think about our size and brand – what can we do that will have much greater impact? I am much more focused on industry collaboration. I’d like NGOs to come together as well and not have so much NGO competition for funding their own initiative. We see that things don’t go as fast as they could because of competition.”

V. Recommendations to Enable Responsible Sourcing to Meet Its Potential

Responsible sourcing has vast potential to generate transformative outcomes. To meet this potential, companies need to take stock of the reality of their commitment to responsible sourcing, as well as their aspirations. The reality requires taking a hard look at the practices, structures, and systems needed to meet commitments. The responsible sourcing movement also needs collaborative, multi-sector leadership that coalesces around common strategies and an aligned agenda. On a few social issues, like forced labor and human rights due diligence, this is happening. But women's health and well-being, particularly as they relate to the empowerment of millions of poor women workers and thousands of marginalized communities in global supply chains, are not central to the ESG or gender equality agenda. The responsible sourcing movement encompasses a wide range of complex issues. But we argue that focusing on gender equality and the health and well-being needs of women workers in global supply chains can lead to transformations across responsible sourcing. It can have a curb-cut effect, where investment in women workers can cascade to support the broader well-being of all workers and surrounding communities. As one executive said in the context of supply chain initiatives, *"If you create a solution that is for women, they are solutions for everybody; but solutions for men are solutions only for men."*

Galvanizing supply chains to support women's well-being and empowerment will take strategic coordination and collaboration around an aligned agenda addressing key structural and systemic issues identified by the corporate executives who participated in this research. Coordination and collaboration will happen only if key leaders in the system – funders, purpose-driven brands, highly influential NGOs, organized labor, and effective policy-makers – team up to advance aligned strategies, separately and collectively. To this end, we recommend creating a responsible sourcing leadership coalition on women's health and gender equity and focusing on broad strategies for change.

1. Create a Responsible Sourcing Leadership Coalition on Women's Health and Gender Equality

We propose convening key stakeholders to form a diverse coalition of leaders in ESG, women's health, and gender equality that can shape the agenda of the responsible sourcing movement. This coalition should bring together disparate actors already engaged in women's health and gender equality to find common ground, set strategic priorities, mobilize resources, and advocate collectively and independently for action on practical and achievable policies, practices, and structural changes. A leadership coalition will shine a spotlight on areas that need focus and drive action. It will also perform an essential coordinating role. The responsible sourcing movement currently follows a "let a hundred flowers bloom" strategy. This scattershot approach has advantages, but it is no longer sufficient. The coalition should use its reputation, relationships, and capabilities to convene key sector leaders to develop a more collaborative, cohesive strategy that coordinates efforts to advance the recommended strategies (described below) to change the incentive structure for the way companies think about responsible sourcing practices and the well-being of women workers.

2. Focus on Three Broad Strategies for Change

In the executive interviews, four strategies emerged that address the constraints and missing incentives that limit Responsible Sourcing's progress and scale: build a better business case; increase external pressure; strengthen and align internal business systems and transform the external ESG ecosystem.

These strategies, taken together, would create the structure for coordinated action on influencing key decision makers in companies and external entities. Finding a balance between incentives for positive change and consequences for inaction or negative change is critical to generating constructive results. Incentives are necessary but not sufficient, and too much emphasis on consequences (e.g., campaign activism risk) will activate a fight-or-flight response in which some companies direct their resources to combat opposition and others sell problematic business lines to new, possibly unscrupulous owners. The strategies, therefore, work in a mutually reinforcing way to use consequences to push companies ahead and incentives to entice them to keep moving forward. At the same time, the strategies focus on changing the underlying systems that shape the way global supply chains are designed and regulated, creating further impetus for positive change.

The coalition should focus on mechanisms for activating the C-suite to address internal organizational challenges and build the capability of their companies and suppliers to develop effective approaches for responsible sourcing for women's well-being. The coalition should also explore ways to create external conditions that make gender equitable responsible sourcing practices the norm. This new normal should be reinforced by public sector laws and regulations, the expectations of the court of public opinion, and consumers.

Once the three strategies are implemented, indicators of success should follow:

- Improved health, well-being, and empowerment of women workers across global supply chains.
- Greater commitments by brands to purchase goods and services only from suppliers that demonstrably respect, protect, and remedy the well-being of women workers.
- Brands coordinating with donors, NGOs, and suppliers to address root cause social and economic factors at the community level.
- Strong evidence that early adopters and fast followers of good sourcing practices achieve superior financial and competitive performance.
- Increased attention by investors and capital markets on responsible sourcing for women's well-being.
- Better data-collection systems related to women worker well-being among suppliers and high-risk regions.

The section below provides further detail describing the three strategies.

1. Build a Better Business Case

"It is important to have evidence of cost reduction, revenue, share price and risk."

"You need investors and key customers…to ask for it. If they want it and reward you for it, it brings you to a different realm of conversation. We do it because it's the right thing to do and we believe in the business benefits. But if you get credit from consumers, customers, and investors that is huge."

– Executives from Fortune 1000 companies on responsible sourcing

Proving that criteria related to women in supply chains support (and do not detract from) corporate financial performance is essential to gain and keep the support of the C-suite.

a. Assess the State of Business Case Research and Evidence

Extensive research has investigated the business case for responsible sourcing related to women's well-being, but major brands are largely unfamiliar with this work. The leadership coalition should convene experts and practitioners to assess the current landscape of business case research, identify gaps, and set a course of action to close them. This would also help compile disparate research to share it widely and present it in more compelling ways.

b. Drive Business Case Research on KPIs Relevant to Current C-Suite Decision Making

Executives interviewed for this report find that current business case research on social programs and practices for women's health and empowerment tends to focus on KPIs of secondary and tertiary importance to the C-Suite. This kind of business case will have, at best, minor influence on corporate decision making. For a responsible sourcing business case related to women's well-being to drive real change, research needs to focus on KPIs that matter to the C-Suite: share price, profitability, revenue, costs, and risk.

Share price: Many people in the C-suites of publicly traded corporations believe their strongest accountability is to shareholders, despite the growing challenge to this viewpoint. To convince the C-suite to make systemic, transformative change, the business case needs to better address KPIs of primary concern to shareholders who hold the C-suite accountable for growing share price. Corporate executives state:

"[F]ocusing on the most important business KPIs for the business case is important. For us that will be share price and quality. If you can show that women's health or human rights or another ESG criterion affects those KPIs that will get executive attention."

Profitability: The key metric to predict the health and prospects of a corporation is its profitability. A corporate executive observes:

"To persuade me to adopt women's health and empowerment, find out how it will directly impact the bottom line."

Revenue: Top-line growth is a vital metric for the C-suite and shareholders alike. Corporate executives state:

"If we can translate [responsible sourcing] to consumers and clearly communicate to them at the point of sale then the benefits will translate, and support will grow."

"Is the consumer demanding it and will they purchase more? That's really important."

"What's the outcome for the customer? It's often about that…. But if you don't have it then customers may not find our product as appealing."

Costs: Shareholders often pressure the C-suite to demonstrate that it is continually finding ways to increase profit margins by cutting operating and other costs. Corporate executives observe:

"The focus is on cost, cost, cost."

Risk: Persuasively demonstrating untenable enterprise risk will move the C-suite to invest in becoming a responsible sourcing leader. Executives must see that risk threatens share price, revenue, and/or cost control at the level of tens to hundreds of millions of dollars. Corporate executives state:

"The best way to get it adopted, is to show that if you don't do it something bad will happen."

"The risk analysis is key on how much could we lose versus the cost of making the changes."

c. Challenge Short-Term Thinking for Business Case KPIs to Promote ESG in Long-Term Business Decision Making

There are limits to the ability to provide evidence of quick returns from initiatives that support women's health and empowerment, which makes it harder to persuade the C-Suite to adopt such initiatives.

"[C-Suite leaders] always ask what is in it for us."

The leadership coalition should use its influence to redefine the types of KPIs that are considered relevant. Recent actions of major investors reveal the possibility of openings. For example, BlackRock, the world's largest asset manager, plans to ask companies in its portfolio to identify and show how they intend to prevent human rights abuses and provide "robust" disclosures about those practices.[13]

This is one of many signals that investors are more open than ever to looking at responsible sourcing practices as an indicator of long-term financial health and performance. The

[13] Saijel Kishan and Annie Massa, "BlackRock to Press Companies on Human Rights and Nature," Yahoo Finance. 18 March 2021.

leadership coalition can help support research and promote findings that show how well-managed companies that support women in supply chains will be better investments now and into the future.

It is also important to bring the data to life, interviews suggest, by capturing the imagination of executives with compelling stories and real-life examples. These examples should demonstrate the human impact of poor supply chain practices and the benefits of good programs and policies. Effective storytelling has been able to move the C-suite to take action. An executive observes:

> *"It's really just about getting to the decision makers and the level of understanding they have and the ability to hear it from the horse's mouth. If you got women in supply chains to share their stories it would be so compelling to an executive in a decision-making position but it's not likely to happen… I do have a 95% success rate if I get people with compelling stories in front of decision makers… I really think that it's a combination of influencing the head and the heart.… [I]f you can get executives educated and to see things with their own eyes that will be effective too."*

d. Improve Data Collection for Brands and Suppliers

Brands need to track data that helps them compare the true costs of sourcing from responsible sourcing laggards vs. leaders. This means going beyond the terms of contractual agreements to see if suppliers that prioritize women worker well-being and gender equality are more reliable, provide higher quality with fewer defects, meet deadlines faster, or are more productive.

Suppliers need better data collection too. Factories and farms often lack the extensive management and data collection systems that global brands have. Even when suppliers have compelling evidence, for example, that women worker well-being policies and practices may reduce employee absenteeism, the findings may not resonate if the supplier cannot easily track attendance rates in the first place, and many do not have the staff or software to analyze the impact of reduced absenteeism on savings or productivity. In such a scenario, this kind of business case will fall flat. The challenge is to conduct research to determine as directly and simply as possible whether adopting women worker well-being approaches will lower costs and increase revenue.

2. Increase External Pressure

> *"Stronger activism and campaigning help a lot. It makes a big difference when they attack brands. Attacking the CEO directly would help too."*
>
> *"There's value in pitting companies against each other to create better social good. This requires true leadership from [the] public sector."*

The incentive of the business case is necessary, but not sufficient. Scaling adoption of responsible sourcing for women's well-being rapidly requires external pressure in the form of

NGO activism, stricter and smarter regulations and laws, and investor pressure. The leadership coalition should couple efforts to expand the business case with coordinated strategies to increase external pressure that reaches the C-suite.

a. Galvanize Increased, Focused, and Sophisticated NGO Activism

In the most surprising finding of the research, corporate executives call for the return of strong campaigning activism against their industries and brands. While several participants feel the constant heat of activist criticism every day, more find the voice of activists muted. Some noted that sophisticated activism that targets key systemic weaknesses, in addition to the blunter name-and-shame approach, makes a difference. They praised those NGOs that advocate for changes in the structure of buyer-supplier contracts and related systemic inequities. Effective campaign activism that catches the attention of investors, customers, and employees creates a direct line to the business case. Tarnished brands sell less. Boycotts reduce revenue. Reputational crises scare investors, who sell shares. Executives state:

> *"It would be great if we saw attacks on our brand. It does a lot. When some companies were declining to pay suppliers and there was pressure on the big guys to reverse those decisions and in some cases they did… It needs to be loud enough and impact sales."*

> *"NGO pressure and campaigns are a huge driver."*

Activism works on a personal level, too. Today's CEO wants their story to show that they left both shareholders and the world better off. Activists who threaten the legacy of CEOs may find companies expanding their responsible sourcing for women's well-being at warp speed. An executive states:

> *"Honestly, if you can tell us that NGOs will attack our brand about what they perceive us as doing then that will get the attention of our CEO and C-suite. That will help get action and support to do more. And if you tell me that they will attack the good name of our CEO directly then that will really get us moving fast."*

b. Advance better laws, regulations, and government engagement – backed by enforcement

The leadership coalition should work with activists to advance a strong legislative agenda. Leading corporations increasingly understand that the benefits of a relatively unregulated global supply chain no longer outweigh the risks posed to priority business KPIs (not to mention the toll it exacts on human life and ecosystems). These corporations are opening up to the idea that governments around the world – starting with OECD nations – should establish global trade provisions, laws, regulations, punitive enforcement measures, and capacity-building subsidies to require responsible production and sourcing. Without governments setting stricter rules of the game, it will be difficult – if not impossible – for the private sector to make much progress in advancing responsible sourcing for gender equality, including women's health and well-being. Executives state:

“If there isn’t a legal framework that pushes us, it will be really hard to get new criteria into our purchasing processes…. You need legislation to push it. Without legislation it’s hard to get the budget for the human rights criteria…. We will need legislation.”

“I’ll tell you what gets attention – criminal prosecution for sourcing practices.”

“There are only so many companies that can support this. How do you get the rest of global trade to act differently? I think that governments need to be more involved too… The US government used to provide a lot of resources to train labor inspectors… Civil servants often don’t even have a car to get to a factory! Countries have no resources and infrastructure, and no amount of investment will help unless that gets solved… You can only help to get the C-suite to adopt so many huge issues. There will always be constraints. The more that external elements can help get their attention and the more that other groups step up like governments, funders, and industry associations, the better.”

It is vital to capitalize on this emerging shift in corporate attitudes. Leading brands understand that for governments to act, the private sector must collaborate and shift its lobbying orientation toward support for responsible sourcing for women’s well-being. The window of opportunity for businesses to willingly partner in advancing restrictive laws and regulations may not stay open long. Executives state:

“What can we do as an industry to drive forward real systemic change and enforcement? We are investing in health where workers live, and we are trying to connect that to policy and coordinate with lobbying. Some of the things we lobby for could very well raise costs. We don’t hide from that conversation. We have a responsibility to improve conditions and we’re confident that this will be consistent with profitability. Where on that journey are other companies?”

“We represent over 1% of [country redacted]’s GDP. We need to use this to lobby for the things we want to achieve like freedom of association and speaking up when we see violations of rights. We have become more comfortable, but we have more work to do there. In [country redacted] we helped found the alliance there. We saw that to really drive safety forward we need to change standards, regulations, and enforcement. We increasingly see that as our responsibility.”

c. Enable Investors to Prioritize Responsible Sourcing and Gender Equality

When investors get involved in activism, the pace of constructive change will accelerate even more. Investors have experience pushing companies that have been the subject of NGO campaign activism to improve sourcing practices. Too often, investors and financial analysts are ill-equipped to understand ESG data, especially related to women’s health and gender equality. They are unable to ask the questions that can determine the depth of C-suite commitments or assess the quality of company structures to advance ESG. Executives state:

“Investors get faster results. When analysts were asking questions, leadership got very nervous….[I]f investors say, “We won’t invest,” that would help.”

“Investors have helped drive a lot of the progress in ESG. Investors are asking for things and analysts are writing about it… In the last three years it’s been part of the switch for a lot of companies to adopt ESG. We have been tracking our peers who weren’t present and now they are, and I’d attribute that to investor interest…. So, go to the structures that have strategic power. That will be investors. They can influence decision making.”

3. Strengthen and Align Internal Business Systems

Corporations and suppliers find all aspects of responsible sourcing complex and ever-changing. Most executives and managers possess only rudimentary understanding of responsible sourcing and how to apply it to supply chain management, so companies struggle to integrate responsible sourcing considerations into business strategies and processes. Effective businesses cases combined with external pressure will help companies commit to advance responsible sourcing for women’s well-being. To ensure its effectiveness, brands and suppliers will need technical assistance that builds their capacity to adopt good practices.

Corporations and suppliers need support to improve their capabilities and change their approaches. They particularly need support with alignment of public commitments and internal systems, integration of tools and training into supply chain processes, alignment of performance incentives and ESG goals, and integration of gender equality into supplier scorecards.

a. Alignment of C-suite public ESG commitments and internal systems

If CEOs, CFOs, and business line presidents do not establish a clear responsible sourcing agenda for gender equality and integrating women’s health and well-being – and then hold their direct reports accountable – there will be very little progress. The interviews described in detail the types of misalignment within the C-suite, where CEO or Board commitments may not factor into CFO accounting or priorities, the general counsel’s assessment of legal risks constrain efforts to work across industry or within supply chains, and government relations priorities show no relationship to responsible sourcing priorities. This misalignment is slowing needed progress.

b. Integration of Tools and Trainings into Current Sourcing and Supply Chain Processes and Procedures

The fastest way to get corporations and suppliers to adopt responsible sourcing is to make it a seamless part of the sourcing practices already in use. Sourcing teams feel under-resourced and over-burdened. Unless responsible sourcing for women’s well-being feels familiar, supply chain teams will become the biggest seat of resistance. Executives state:

“[*P]rocurement people are process people. Their job is to establish and follow processes correctly. They are very attached to process and following every rule as laid out in some guideline and dotting every “i” and crossing every “t”. They don’t want wrinkles to their* *finely conceived processes. So, the key is to integrate into processes and reduce transaction costs for them. This will increase the uptake rate. [Supply chain's] message was, 'Don't talk to me if you'll make my job harder – I don't have enough hours in the day. If you do, I won't listen to you.' If you recognize that there are processes that need to be respected and engage them using their terminology like, 'the procurement cycle' and 'contracts on a time cycle,' and having 'categories of spend' with 'multi-year contracts'…. Acknowledging this and showing understanding and showing how to bring women's health and empowerment into that world in a seamless way keeps their ears open to the conversation."*

"We have our own policies and procedures. If we need to change those to incorporate the criteria that is a big barrier. If it fits, then it's easier to build them in over time."

"If it fits our existing program [additional ESG criteria] would be moderate to easy to implement."

This research suggests that sourcing and supply chain teams will be more open to adopting responsible sourcing practices that align with existing processes and limit the need to embrace unfamiliar processes and competencies.

c. Alignment of Performance Incentives/Staff Reviews and ESG Goals

If managers see their job, bonuses, and salary depending on their responsible sourcing for gender equality, including performance on women's well-being, they will more eagerly adopt responsible sourcing practices. This is also true of the sourcing line staff who currently know that gender equality, much less women's health and well-being, does not help them achieve the performance targets that are the basis of their salary, bonus, and opportunities for promotion. Executives state:

"If you are a trader or procurement officer, you have to buy x number of [supplies] a month and if you miss that you get fired. If we could fire procurement teams and suppliers for missing ESG criteria that would be interesting… I'd like to put them on remediation and improvement plan leading to firing them."

"Are there metrics that would signal serious commitment and prove in an auditable way? For example, what's the budget allocated for women's health and empowerment and number of FTEs?"

d. Integration of Gender Equality Criteria into Supplier Scorecards

Supply chain management leaders often use a scorecard that rates current and prospective suppliers across a range of criteria. Suppliers need to achieve a minimum score to qualify to work for a corporate buyer. Embedding criteria related to responsible sourcing for women's well-being is essential to drive progress. Executives observe:

"When we have clear expectations and if they see the business side asking for it then suppliers will adopt it. We have our head of sourcing and manufacturing asking for better gender standards, for example, and suppliers are responding to that because they want to

grow with [us]… We also have a supplier scorecard that focuses on sustainability that gives a clear expectation and it's scored equally with cost and quality."

"I'd love to evaluate every vendor with a standard of is this good for women?... Do we see sweatshop conditions? Then we can't be there."

Building an Ecosystem for Responsible Sourcing, Gender Equality and Women's Health

"We know that compliance hasn't gotten us there, so what's the alternative? There's a real opening to question the larger system as opposed to putting band aids on a broken system. Adding criteria to a broken system isn't going to be helpful. The compliance model is just no good for what we are trying to do. That model was never set up for labor rights. Can we reexamine the whole system? We need examples of alternative systems. I've become more radical."

– An executive from a Fortune 1000 company on responsible sourcing

The three strategies act as essential propellants for the goal of building a supportive ESG ecosystem. Companies that adopt leading responsible sourcing practices face three fundamental challenges. First, the concerns that supply chain management raise related to worker rights and well-being are both a cause and a symptom of larger socio-economic factors. For example, it is a significant challenge for a global brand to ensure that its supplier's supplier's supplier respects the rights of women workers when local government may not support, or may even subvert, the protection of women's rights in the workplace. Second, anti-trust laws designed to prevent anti-competitive behavior have the unintended consequence of limiting the ability of competitors to collaborate on responsible sourcing initiatives. Third, the complexity of global supply chains for large brands intimidates even the most experienced sourcing teams.

In this research, executives from leading corporations hunger for an ecosystem of partners that can effectively slot into key roles – each with its own purpose and each willing and able to collaborate – to support responsible sourcing. A high-functioning ecosystem for responsible sourcing would do the following:

- Drive better analyses of how complex systems interact and how to address root causes.
- Enable brands to partner without fear of violating antitrust laws and regulations.
- Develop a system to support the implementation of women worker well-being practices and systems.

This ecosystem would require the following:

- NGOs collaborating more effectively to support corporations and suppliers that adopt responsible sourcing and treating it as being on par with financial performance.
- Donors and companies investing in capable local NGOs so they can scale up their services.

- Companies individually and collectively investing in supplier development, including improvements to data collection systems and human resources functions.

Despite increasing corporate preferences to purchase from socially and environmentally responsible providers, suppliers still find it advantageous to cut corners. Suppliers are uncomfortable taking the risk of allocating their relatively meager operating budgets to make sweeping changes in social and environmental management or in specific areas such as women worker well-being.

This creates a collective action problem. While suppliers may perceive that it is advantageous to take shortcuts, it is difficult for buyers to commit fully to sourcing only from suppliers that embrace women worker well-being if that might increase costs, especially if competitors are sourcing from less-enlightened providers.

What is needed is a collective approach as recommended and strategies that will drive the kinds of investments and collaboration that can support supplier development and provide training and resources for suppliers to create systems and processes to comply with the expectations for responsible sourcing for women's well-being. In many instances, suppliers lack management systems that large corporations take for granted, such as an HR department. Some suppliers may not have techniques to improve productivity or quality other than imposing detrimental pressure and abusive conditions on their work force. Standard management systems commonly seen around the world as good practice can help alleviate poor performance related to responsible sourcing. In particular, leading corporate buyers are finding that suppliers that create cultures of inclusive engagement that empower workers to provide feedback tend to outperform their peers. An executive states:

> *"It's not unrealistic for brands to play a role in their suppliers' growth… Have we stopped to listen and learn from what our partners are telling us? We could perhaps focus on access to better financing like [International Finance Corporation] loans and how to unlock funding to invest. What does the push to automation look like for them? It means this labor-intensive industry is now capital intensive and how to unlock that funding and tie criteria to it to show you really value your workers and embrace a culture of well-being and show it's the culture you've created?... I think we're on to something, but we haven't implemented it. A lot relates to creating a culture of inclusive engagement at the workplace from the top down in factories. This appears to be the biggest indicator of a place that embraces well-being. This will create a feedback loop where you listen to employees and do something about it. This is true for labor rights and women's well-being. Have an assessment in place where factory managers and employees reflect on where they are on inclusive engagement."*

VI. Conclusion: Ramping Up Private-Sector Action for Women Workers' Health and Well-being

The intent of this research is to describe the state of responsible sourcing to build better strategies for driving brands and their global suppliers to commit to respect, protect, and improve the well-being of women – and all – workers. Gender equality and women's health and well-being are central to re-invigorating, if not transforming, responsible sourcing. Our recommendations – *for a coalition of leading stakeholders and for action on three key strategies focused on increasing external pressure, building a better business case, and strengthening and aligning internal business systems* – aim at transforming responsible sourcing by achieving better outcomes for women's health and empowerment.

These recommendations and strategies represent the synthesized views of leaders from the private sector, where the greatest level of change, commitment, and action must occur. They also reflect the core challenges identified by these leaders. While responsible sourcing has become a fixture in corporate policies and processes, it has not become a high-priority, measurable, strategic objective on par with core business KPIs. In the highest-priority supply chain and procurement decisions, responsible sourcing does not yet meaningfully shape supplier selection or retention, reduce substantially a corporation's social and environmental footprint, or use the supply chain to make individuals, workplaces, and environmental systems better off.

Many executives interviewed for this report find it difficult to gain the approval of C-suites and sourcing teams to expand responsible sourcing criteria, especially as they relate to evolving understanding of social factors such as women workers' well-being that are vital to support the well-being of individuals, families, and communities. Many challenges prevent widespread adoption of sourcing criteria and practices that would advance the well-being of women in supply chains. Tackling these challenges would advance not only gender equality but also the responsible sourcing movement as a whole.

Most of those interviewed portray a responsible sourcing movement that has slowed and is making incremental progress at best. All emphasized the challenges and complexities of making deep systemic change. Ultimately, brands and suppliers alike should voluntarily hold themselves accountable for addressing their own structural and operational barriers to success and for ensuring that all aspects of responsible sourcing become the norm in their industries. Companies exist in a system that currently rewards short-term profitability over most other considerations, lacks strong internal incentives and alignment on ESG, and offers weak external accountability. The best chance to make fast progress at scale is to shape a common agenda on social issues like women's health and well-being, spotlight gaps and blind spots requiring collective action, and help coordinate more assertively than ever before on an aligned strategy that blends incentives, consequences, and systemic change. Doing so will mobilize responsible sourcing to reaffirm its core purpose as well as benefit the lives of women workers everywhere.

About the IMPACT ROI and the Universal Access Project

IMPACT ROI is a research and strategy advisory firm that helps organizations achieve superior social, environmental, and financial performance. Through research and management consulting, Impact ROI assesses the value of ESG and enables its clients to design high impact strategies that support people, planet, and profit. Impact ROI supports its clients with program design and implementation; stakeholder relationship management; partnership formulation; and a full spectrum of services to enhance an organization's ESG approach and performance. CEO Steve Rochlin is an ESG thought leader with over 25 years of experience advising corporate executives of the world's leading brands on ESG strategy. He has co-authored two books on the intersection of ESG and strategy, including Untapped: Creating Value in Underserved Markets, which was named by the *Harvard Business Review* to its recommended summer reading list. Steve has also published in the *Harvard Business Review: Latin America*. Steve is the author of the acclaimed Project ROI series, called "A Godsend" by *Fortune* for its quantification of the financial benefits of ESG to the bottom line. It has developed the pathway for companies, civil society organizations, and government agencies to deliver sustainable and collaborative impact.

The Universal Access Project (UAP) of the United Nations Foundation convenes an innovative community of philanthropists, advocates and companies striving for a world where all people can realize their sexual and reproductive health and rights. *In addition to its foreign policy advocacy pooled fund,* UAP implements several initiatives to advance women's health and rights globally through the private sector. UAP mobilizes corporate engagement on workplace women's health, rights, and empowerment in global supply chains that employ millions of women through its Private Sector Action for Women's Health & Empowerment Initiative. UAP also advances women-led change through corporate philanthropy as the fiscal sponsor of the Resilience Fund for Women in Global Value Chains, a first-of-its-kind pooled funding initiative for companies and corporate foundations to invest in the long-term health, well-being, and economic resilience of women who form the backbone of global supply chains. As UAP's Senior Director for Private Sector Strategy & Engagement for both activities, David Wofford brings 25 years' experience in workplace health and gender equality and has implemented worker health programs in supply chains in Africa, Southeast Asia, South Asia, and the Caribbean. He has co-authored articles on women's health and sustainability in *Berkeley Journal of International Law* and *Globalization and Health* and authored ROI studies on women's health workplace interventions.