June 2022

The Inclusive Sourcing Methodology

A Guide for companies to design and implement Inclusive Sourcing policies and programs

Business for Inclusive Growth

Disclaimer

Business for Inclusive Growth (B4IG) is a global CEO-led coalition of major companies fighting against inequalities of income and opportunity. With the OECD as its Strategic Partner, B4IG coordinates with governments to scale up business action on inequality.
More information on www.b4ig.org.

The opinions and arguments expressed herein are those of the authors and do not necessarily reflect the official views of the OECD or its member countries.

Introduction

Inclusive Sourcing has become a topic of interest as procurement activities and spend represent a significant opportunity for companies to promote inclusive practices and maximize their "inclusion footprint". The OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct promote the deployment of sustainable and inclusive supply chains and underline the responsibility of businesses to exercise due diligence in this regard. Yet, it is still common for procurement teams to exclusively prioritize cost, delivery time and quality, and to hesitate to integrate inclusion criteria in their procurement strategy.

Therefore, B4IG decided to dedicate efforts to support companies on their journey towards Inclusive Sourcing. Building on best practices from a group of B4IG member companies - BNP Paribas, Danone, Keurig Dr Pepper, L'Oréal, Mars, Pret A Manger and Veolia, we developed a methodology providing guidelines to help corporations better understand the concept of Inclusive Sourcing, and then design and implement inclusive sourcing policies and programs in their organization.

This document aims at (1) building a common definition and ambition for "Inclusive Sourcing", and (2) sharing a "user guide" providing concrete operational advice on how to begin/construct an Inclusive Sourcing strategy.

Caveat: This methodology is intended to evolve and be further enriched in the future.

1_Inclusive Sourcing definition and overall ambition

Reports show that in today's context of growing economic and income inequalities, most populations in vulnerable situations do not benefit from job creation or fair wages to the same extent as the general population[1]. Small entrepreneurs including subsistence farmers, micro-distributors, cooperatives, etc. struggle to access the market, capital, and fair compensation. They require support from relevant local and international institutions as well as private sector organizations to be upskilled and/or equipped to be a part of the economic growth pathway.

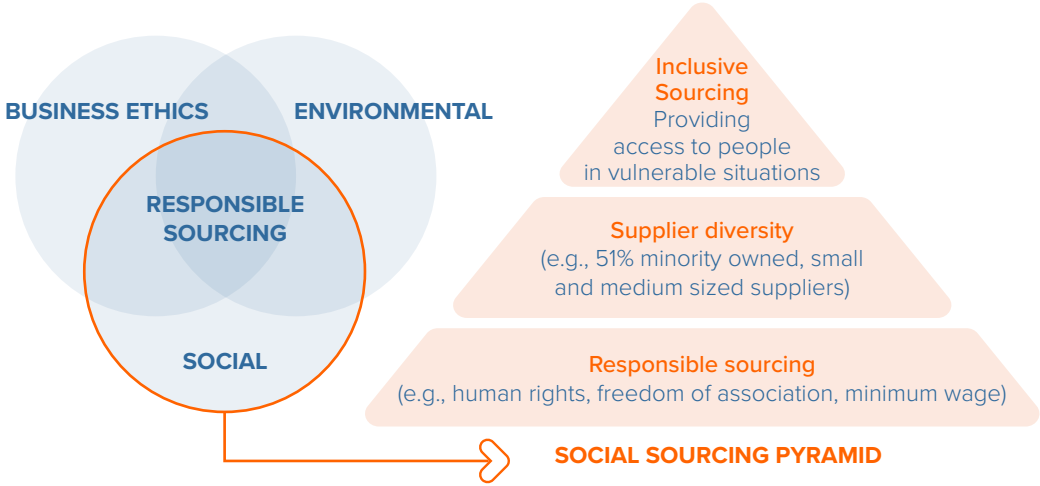
Many companies have already taken important steps to ensure the respect of fundamental human rights and labor rights within their supply chains. Embedding the concept of inclusion into their sourcing practices is an additional step forward in the journey towards a truly "inclusive growth".

What is Inclusive Sourcing?

Inclusive Sourcing is a part of social procurement[2] and consists of **leveraging supply chain procurement decisions and activities to (1) give people in vulnerable situations access to decent work[3] and (2) foster the inclusion of suppliers in vulnerable situations** (e.g., subsistence farmers) while enhancing the economic performance of the company[4]. The procurement practices under Inclusive Sourcing are voluntary rather than driven by regulations and standards.

1. OECD, Policy Brief, *Making the Green Recovery Work for Jobs, Income and Growth*, 2020. https://www.oecd.org/coronavirus/policy-responses/making-the-green-recovery-work-for-jobs-income-and-growth-a505f3e7/.
2. Leire C. and Mont O, *The Implementation of socially responsible sourcing*, 2010: "the utilization of the purchasing power of public and private organizations to purchase products, works and services that have a positive social impact"
3. International Labour Organization, *Decent work and the 2030 agenda for sustainable development*, 2018, https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-lisbon/documents/event/wcms_667247.pdf
4. OECD, *Due Diligence Guidance for Responsible Business Conduct*, 2018, Q 11, p. 51 http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf

The concept of Inclusive Sourcing is relatively new, both in the academic and business spheres. It is embedded within the larger concept of Responsible Sourcing which covers three main areas – which are also highly interconnected: social, environmental, and business ethics. **The following methodology focuses on the social dimension, as detailed in the chart below.**



Social Sourcing includes three different dimensions:

1. Responsible Sourcing covers the respect of human rights, freedom of association, minimum wage, all of which are obviously pre-requisites for Inclusive Sourcing. Those basic ethical and social fundamentals are regulated by law, and can also be upheld by the companies' compliance policy suppliers' compliance to the client company's procurement standards, as well as by a regular monitoring of suppliers through self-assessment questionnaires and audits.

2. Supplier Diversity goes beyond risk management, it is also about building business relationships with small & medium-sized businesses that are owned or operated by individuals that are from traditionally underrepresented or underserved group[1].

3. Inclusive Sourcing aims to design a supply chain that can offer opportunities to populations in vulnerable situations. In order to achieve better social inclusion through sourcing practices, it is likely to require that companies engage differently with the suppliers at all levels of their supply chains.
The reality for suppliers or workers who come from disadvantaged communities or a vulnerable situation is that company supply chains often exclude them from employment or economic transaction opportunities.

NB: By implementing Inclusive Sourcing principles, a company will invariably increase its supplier diversity. For example, a company that decides to do more business with minority-owned businesses will make its supply chain both more inclusive and more diverse[2].

However, it is important to note that the notion of "vulnerability" – when applied to suppliers or their workforce – is a difficult concept to characterize and needs to be examined locally and in relation to a specific supply chain

1. Bateman A, Barringont A, Date K, *Harvard Business Review*, "Why You Need a Supplier-Diversity Program", 2020, https://hbr.org/2020/08/why-you-need-a-supplier-diversity-program
2. OECD, *Due Diligence Guidance for Responsible Business Conduct*, 2018, Section II, 2.4., http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf
3. United Nations, *Leaving No One Behind – The Imperative of Inclusive Development*, 2016, ST/ESA/362, available at: https://www.refworld.org/docid/5840368e4.html

category. In different countries and regions of the world, the notion of "vulnerability" can be based on a variety of factors including age, sex, disability, race, ethnicity, origin, religion, or economic or other status. Some suppliers are disadvantaged simply by the size of their business, since they then lack the bargaining power to get the fair compensation that they naturally should be entitled to.

What is the overall ambition of Inclusive Sourcing?

Inclusive Sourcing aims at building a unique procurement strategy that meets both business performance – based on service or lead-time, quality, competitiveness, innovation, sustainability, etc. – and social impact goals, such as access to decent work[1] including a sustainable living wage[2]. Providing access to decent work to people in vulnerable situations might include an upskilling process to ensure the quality of the job offered.
By fostering access to decent work through their suppliers, companies will help economically empower workers in vulnerable situations while strengthening their supply chains.

We propose a methodology to sustainably integrate Inclusive Sourcing practices into the procurement decision making process through the provision of tools and best practices to:

- First - Build pilot(s) to set & test your company's inclusive sourcing assumptions.
- Next - Streamline Inclusive Sourcing practices into your company's procurement policy, in order to bring about a real systemic change.
- Finally - Identify ways to create synergies with other companies (competitors, clients, suppliers) through partnerships and common inclusive sourcing projects[3] – a crucial step to accelerate systemic change.

1. International Labour Organization, *Decent work and the 2030 agenda for sustainable development*, 2018, https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-lisbon/documents/event/wcms_667247.pdf
2. Business for Inclusive Growth, *The B4IG Coalition pushes forward Living Wage as a Corporate Priority*, June 2021, https://www.b4ig.org/the-b4ig-coalition-pushes-forward-living-wage-as-a-corporate-priority/
3. OECD, *Due Diligence Guidance for Responsible Business Conduct*, 2018, see Q12 and Q13: http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf

2_User guide

This document is a guide through the three essential stages of the Inclusive Sourcing journey we have identified:

- Stage 1: **Engage your team and leadership on a common vision for tomorrow** (understanding your current challenges, building strong commitment from top management, and ensuring that the right resources are leveraged to move forward).
- Stage 2: **Build your Inclusive Sourcing roadmap** (setting priorities, assessing suppliers, identifying required partners, and building business cases while ensuring the proper monitoring of your activities).
- Stage 3: **Ensure your company is engaging in a transformational journey** (formalizing and communicating - both internally and externally - on your commitments, adapting your existing procurement processes and governance system in accordance).

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Appendix (additional tools and illustrations)
For each stage, you will find detailed steps to complete. Each step will provide insights into specific actions and tips, as well as practical tools and illustrations. If you are looking for further illustrations, please refer to the Appendix.

B4IG

Stage 1

Engage your team and leadership on a common vision

Engage your team and leadership on a common vision for tomorrow (understanding your current challenges, building strong commitment from top management, and ensuring that the right resources are leveraged to move forward).

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STEP 1.1

Assess the current state of your value chain

During this step, you could complete the self-assessment tool (see B4IG website). The results of the test will give you a first overview of your organization's Inclusive Sourcing approach. It will help you identify gaps (and thus measure the efforts to undertake) in order to design the relevant "improvement roadmap".

Recommended actions to undertake

1. **Check your pre-requisites**[1] to make sure you have the right compliance fundamentals including Human Rights Due Diligence in place[2].
2. **Take the self-assessment test:** the introduction page will provide all necessary information to conduct the evaluation.

The assessment is built on a range of levels of practices, from basic to advanced, **around 5 organizational topics:**

TOPICS	SUB-DIMENSIONS COVERED
COMMITMENT & GOVERNANCE	a. Commitment b. Governance
STAKEHOLDER ENGAGEMENT[3]	c. Internal Stakeholder Engagement d. External Stakeholders Engagement
SOURCING REQUIREMENTS & ASSESSMENT	e. Sourcing Requirements f. Beneficiaries Identification g. Supplier Assessment
GRIEVANCE & REMEDIATION	h. Grievance Mechanisms i. Remediation
MEASUREMENT	j. Monitoring k. Reporting and Communicating

1. Inclusion is a pillar of responsible sourcing. It can be addressed only if compliance and supplier engagement basics are met.
2. No Child Labor, No Forced, No Discrimination, Respect of legal minimum wage and social Benefits, Freedom of Association, Respect of Health & Safety, Respect of legal Working Hours as well as grievance mechanisms. For further information, please refer to United Nations, *Guiding Principles on Business And Human Rights*, 2011, https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
3. OECD, *Due Diligence Guidance for Responsible Business Conduct*, 2018, See Q9, Q10 and Q11 http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf

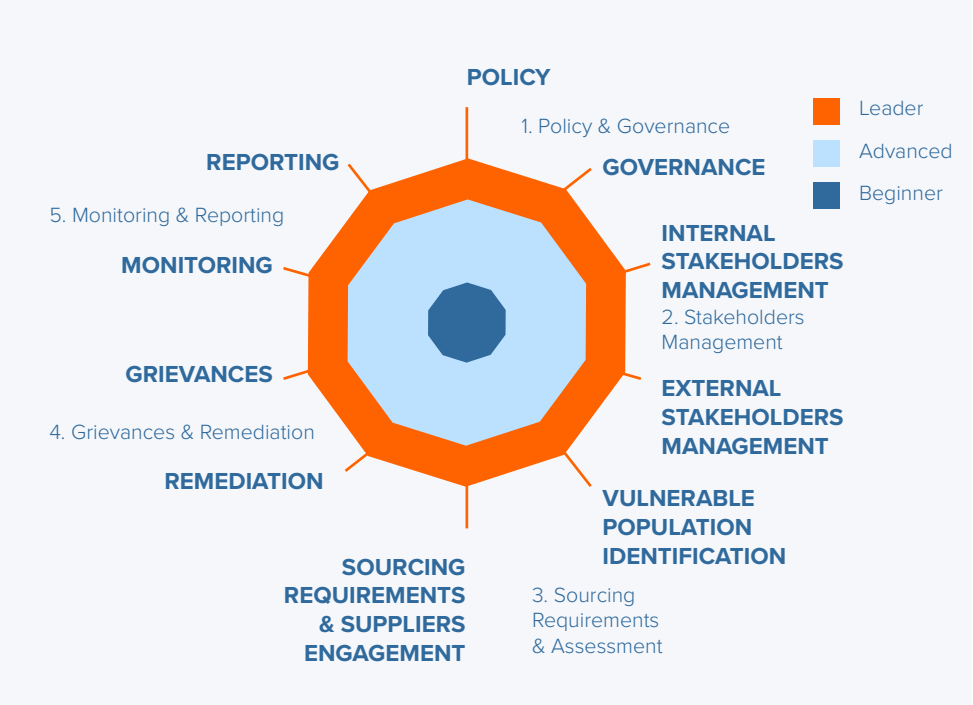
Three performance levels were defined, based on several criteria:

1. Beginner. A beginner company has reviewed its social procurement prerequisites and defined its baseline: setting an ambition and objectives for Inclusive Sourcing program (theory of change), designing a first business case, engaging top management. Some Inclusive Sourcing pilots might have been launched.

2. Advanced. An advanced company has identified and structured its Inclusive Sourcing priorities, populations and geographies and identified relevant procurement categories. It has integrated its Inclusive Sourcing approach within the company business strategy and has complemented its Inclusive Sourcing policy with an effective set of KPIs to measure progress. An advanced company has started to replicate successful pilots.

3. Leader. A leader company has systematized its approach and integrated Inclusive Sourcing as a procurement decision-making criterion. It is also part of the Human Resources incentives and communicated broadly through its corporate communication and product/service brands. The Inclusive Sourcing progress is supported by an ecosystem of engaged partners going beyond Tier 1 suppliers and including relevant institutions.

B4IG Inclusive Sourcing Self-Assessment Tool



Illustrations and tools

The following illustration is related to the way to enforce Social Fundamentals compliance (pre-requisites).

- **Supplier Code of Conduct and Guidebook, Mars Incorporated**

The Mars Supplier Code of Conduct articulates social, environmental, and ethical expectations for suppliers. It contains globally aligned standards and is rooted in international law. It covers the following topics:

- Child Labor
- Compensation and Benefits
- Discrimination
- Environment
- Ethics
- Forced Labor
- Freedom of Association
- Health & Safety
- Issue Reporting
- Work Hours

Furthermore, Mars Incorporated provides a **Supplier Code of Conduct Guidebook**, featuring examples of management systems that enable companies to effectively tackle social, ethical and environmental challenges, and meet their code expectations. By sharing their Code of Conduct with their first-tier suppliers, Mars makes their expectations clear, aligns their suppliers with their standards and ensures that they work with partners who share their beliefs.

Tips

> Engage internally through the assessment...

- Don't fill out the self-assessment tool alone! Make sure you bring all relevant parties to the table: procurement, corporate affairs, human resources, and sustainability teams.

Or do the assessment separately and compare the results of each relevant team.

- Request the support of a third party to enrich your self-assessment with a more qualitative approach, e.g., by interviewing internal and external stakeholders (including strategic suppliers).

> As well as externally...

Propose the self-assessment to your strategic suppliers to foster discussions about common challenges and gaps within your organization. Identify the actions already implemented to help a specific group/population in vulnerable situations. For example, how many people with disabilities are employed by your suppliers/contractors.

> This should not be a one-off assessment! Define a frequency in which the self-assessment tool should be completed again to review progress. For example: after launching your program, a year after, etc.

> Compare with other existing referential standards.

Stakeholders

- Leading: Procurement, Sustainability.
- Contributing: Human Resources, Corporate Affairs, strategic suppliers, and relevant external stakeholders (e.g., NGOs you are partnering with).

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STEP 1.2

Set your overall ambition and main objectives

Setting your overall ambition and objectives will evidently be the point of departure for all future progress on Inclusive Sourcing. In the long-term, it would be ideal that your Inclusive Sourcing ambition be anchored to your company's vision and business strategy

Recommended actions to undertake

1. Before engaging any actions, **build on your self-assessment** by articulating how Inclusive Sourcing can ultimately benefit the company (for example, by reducing business and reputational risks along the supply chain).

2. **Formalize your theory of change** – Change represents the alteration an organization wishes to make in the world, whereas theory signifies the process that will allow the change to happen. Your organization needs to work on defining what it wants to achieve through Inclusive Sourcing.

3. **Define a set of business benefits** (see Step 1.3).

4. Depending on the company culture and calendar, **define a basic multi-year roadmap**:
   > Years 1 and 2: pilot and learn (focused on strategic procurement categories and geographies).
   > Years 3 and 4: assess and consolidate learnings.
   > Year 5 and beyond: roll out at scale (with full procurement processes integration).

5. **Affix your Inclusive Sourcing ambition** to part of the overall Corporate Social Responsibility strategy.

6. **Map the potential changes** you will have to engage while deploying Inclusive Sourcing (process, organizations, skills, mindset) and see if they realistically match with your level of ambition and timeline.

7. Start reflecting on the organizational implications of making a formal commitment on Inclusive Sourcing with milestones (see Step 3.1).

Illustrations and tools

• Sustainability commitments, L'Oréal (Appendix, p. 2)

In June 2020, L'Oréal launched the L'Oréal For The Future (L4TF) program, which encompasses their sustainability-related commitments for 2030. One of the main pillars of their strategy is **empowering their business ecosystem to transition to a more sustainable world by involving their customers, suppliers, and consumers in their transformation process.**
More specifically, they have committed to the following by 2030:

- To help an additional 100,000 people in social and economically vulnerable situations gain **access to employment.**

- To have 100% of their strategic suppliers' employees paid **at least a living wage covering their basic needs** and those of their dependents, calculated in line with the best practices.

By doing so, L'Oréal integrated its Inclusive Sourcing ambition in their overall long-term Corporate Social Responsibility strategy and action plan.

• Example of a theory of change[1]

The following paragraph is an example of theory of change that could apply in a company either at the Group, Subsidiary or Category Level.

> "Through our company supply chain, we will create new opportunities for procurement partnerships, contributing to the social inclusion of people and suppliers in vulnerable situations (specify the beneficiaries, commodities, and territories where you plan to implement your Inclusive Sourcing Plan). By 20[XX], we will provide in accordance with our partners through our Inclusive Sourcing Program (name of the program] access to ... people in vulnerable situations to decent work. We will achieve this objective by engaging [XX]% of our Tier 1 Suppliers into an Inclusive Sourcing shared ambition and ... suppliers in vulnerable situations access to procurement opportunities within our supply network."

© Réseau Cocagne

1. To learn more about the theory of change, please refer to https://www.theoryofchange.org/what-is-theory-of-change/

KPIs proposed to monitor means and ends (work in progress)

Inputs	Activities	Outputs (Immediate results)	Outcomes (Medium-term results)	Social Impacts (Sustained results)
• People allocated to the development of Inclusive Sourcing practices within the company. • Budget allocated to support internal and external Inclusive Sourcing programs. • Compensation incentives connected to Inclusive Sourcing.	• Training program for procurement staff especially and suppliers on Inclusive Sourcing. • Training and/or coaching program provided to suppliers in vulnerable situations to support their access to the market (quality, financial, technical). • Corporate and industry events aimed to support marginalized suppliers or to promote Inclusive Sourcing. • Support organizations (e.g., NGOs) helping people in vulnerable situations to access work. • Specific funding to support Inclusive Sourcing projects. • Participation in relevant coalition or partnership. • Number of brands fostering social inclusion claims.	• Number of staff trained on Inclusive Sourcing. • Number of Suppliers trained on Inclusive Sourcing. • Number of people in vulnerable situations trained. • Number of jobs created for vulnerable individuals in the supply network organizations. • Procurement spend with suppliers providing access to a decent work to people in vulnerable situations. • Procurement spend on suppliers in vulnerable situations. • Number of suppliers in vulnerable situations having access to funding and technical expertise. • Inclusive Sourcing spend increase vs. previous year (integration into the company business model).	• Number of people in vulnerable situations employed by suppliers having sustainable access to decent work (equivalent full-time/procurement spend). • Number of suppliers in vulnerable situations able to provide themselves and their employees with sustainable decent work (equivalent full-time/ procurement spend). • Number of suppliers in vulnerable situations with increased capabilities (production, customers).	Sustained improvement in solving or mitigating inequalities within a specific supply network or community at a regional, national or international level.

Level of Impact:
- International
- National
- Regional
- Local
- Supply Network

Internal Sourcing Organization + Tier 1 Suppliers ⟷ External Stakeholders

Level of Control

• **Example of a theory of change: Responsible Sourcing Palm Oil initiative roadmap for Sustainable Palm Oil (Appendix p. 3)[1]**

Tips

> **"Build on your strengths"**

- Start with the quick wins (based on the company's major strengths) rather than focusing right away on the most difficult procurement categories and populations.
- Capitalize on inclusive actions you may have already implemented within your organization with the Human Resources team leveraging their experience in integrating populations in vulnerable situations.

> **"Don't reinvent the wheel"**

- Investigate competitors' or best-in-class practices (including suppliers).
- Identify subsidiaries which have already engaged in similar actions as they potentially become champions showcasing relevant practices.
- Start to interact with some non-for-profit partners to identify potential risks and opportunities.

Stakeholders

• Leading: Procurement, Sustainability.

• Contributing: Corporate Affairs, Human Resources, Marketing, Executive Committee, NGO partners.

1. Also available on https://rspo.org/impact/theory-of-change

STEP 1.3

Outline a high-level business case for Inclusive Sourcing

A business case provides a rationale for launching an Inclusive Sourcing project or program in your organization. The business case evaluates the benefits, costs and risks of alternative options and provides a basis for determining the preferred solution. In addition, it contributes to securing the company's license to operate and makes for a more distinctive value proposition.

Recommended actions to undertake

Your business case could be structured around **3 potential business returns:**

- **At the Topline**
  - > Contributing to your product brand's product differentiation
  - > Supporting your client's value proposition
  - > Contributing to product innovation

- **For the License to Operate**
  - > Mitigating risks
  - > Fostering your overall reputation
  - > Building new partnerships with non-profit organizations and institutions
  - > Strengthening corporate brand
  - > Generating engagement from your team and strengthening your company's branding

- **At the Bottom Line**
  - > Ensuring access to valuable commodities, products, and services at a competitive price/quality
  - > Creating new partnerships with your suppliers, e.g., to share expertise, network funding
  - > Accessing impact financing opportunities (Social Bonds, conditional lower credit interest rate, etc.)

Illustrations and tools

• Identifying business opportunities

The following table will help your company identify the business opportunities of transforming the cost of new procurement practices.

Possible sources of value	Positive image	Value chain resilience	Competitive advantage	Lower sourcing costs	Consumer premium	Co-funding opportunities
Purchasing certified raw materials or sustainable sourcing certificates	✔				✔	
Entering into long-term agreements with strategic suppliers, possibly co-investing into projects	✔	✔	✔	✔	✔	✔
(Co-)investing in projects directly supporting micro-entrepreneurs	✔	✔	✔	✔	✔	✔

- **Prioritizing which inclusion beneficiaries/challenges to work on.**

When designing your Inclusive Sourcing strategy and business model, your company will likely have to prioritize which inclusion challenges to address or what vulnerable population to serve. The following steps were designed to help you set those priorities.

Step **1.**

Filter out inclusion beneficiaries/ challenges where you will have no significant impact potential

Inclusion beneficiaries/ challenges	Potential Impact
Women empowerment	✔
Strengthening micro-entrepreneurs	✔
Access to credit	✘
Moving from informal to formal economy	✘
Access to expertise	✔

Step **2.**

Assess the potential of each inclusion challenge to drive business growth/ reduce costs

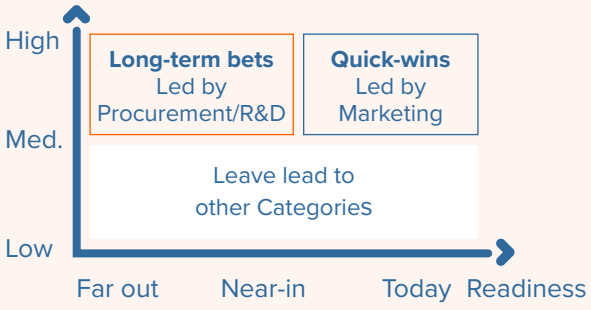
- **Business potential:**
  > Brands to link inclusion challenge to consumer benefits
  > Research and Development/ Procurement to assess impact of procurement practices transformation on costs at scale (including potential savings/decreased risk of value chain)

- **Readiness:**
  Research and Development/ Procurement to assess the readiness of the internal organization (quality standard, price volatility, supply continuity...)

Step **3.**

Map each inclusion challenge and function in charge. Identify your top priorities

The following matrix weighs business potential and readiness of your inclusion challenges. It helps you to prioritize and to define who should take the lead.



source: Hystra Consulting

• Business model canvas: Business models of different supply chain actors (example of Unilever)

In 2010, Unilever started to work on methods to do business with smallholder farmers in a way that is commercially viable and improves livelihoods. With the aim of sourcing 100% of its tomato paste from Indian smallholder farmers, **Unilever built a business model to map out how farmers create, deliver, and capture value.** Through interviews with multiple stakeholders and farmers workshops, they found that the Revenue to Costs ratio of tomato production was positive, indicating that planting tomatoes was profitable for farmers. **The following diagram, used by Unilever, can help your company assess the key elements to take into consideration when building a business model on Inclusive Sourcing.**

Partners provided

- Seeds (hybrids)
- Crop protection
- Fertilizer
- Knowledge & training
- Financial services

Key activities

- Tomato (50% land)
- Other vegetables
- Fruit trees
- Livestock
- Poultry

Key ressources required

- Land
- Labor (Scarce)
- Fertilizer
- Pesticides
- Social capital (groups)
- Water
- Electricity
- Information/ Knowledge
- Access to finance

Value proposition

- Consistent high-quality tomatoes
- Residue free
- High solid content
- Not damaged
- Good size
- Good color

Good organization:
- Single point of contact for groups of 15-20 farmers facilitates communication, production planning, crate delivery and training

Customers relationships

Contrast between transactional relationships at Mandis and long-term trust-based relationships with Varun Agro price-based

Channel

Varun Agro: buyer provides transformation and packing materials to Mandis: own pickup or rent space on truck/pickup at Rs0.5-1/kg

Customers

With contracts:
Varun Agro:
(70-80% of tomatoes)

Without contracts:
Mandis (20-25%)

Cost structure ← Revenue structure

Tips

> Make sure your Inclusive Sourcing projects are part of your company's strategic review process. One procurement category that is always extremely relevant for Inclusive Sourcing is raw materials.

> Connect internal Marketing, Procurement, and Research and Development teams to collectively investigate marketing studies on consumers' new expectations.

> Try to quantify how Inclusive Sourcing can mitigate certain risks such as the risk of losing a supplier (implying certifying a new one, onboarding, etc.) or reputational risk (e.g., costs of crisis management). Also, you should look to list the positive intangible outcomes from Inclusive Sourcing (e.g., company reputation, people engagement).

Stakeholders

- Leading: Procurement, Sustainability, Marketing, Finance.
- Contributing: Corporate Affairs.

© L'Oréal

STEP 1.4

Build commitment from your top management

For your Inclusive Sourcing strategy to be successful and embedded within your company's day-to-day activities, it is essential for your top management to be engaged in the development of the vision, mission, and strategy. The executive management will be your best ally to advocate the importance of Inclusive Sourcing internally and externally.

Recommended actions to undertake

How do you engage the top management and convince them of the importance and potential of Inclusive Sourcing?

- **Introduce your top management to:**
  > Relevant stakeholders including key customers, strategic suppliers, local communities, non-profits and institution leaders.
  > The management of a subsidiary who has already launched some Inclusive Sourcing pilots
  > Industry benchmark and case studies.

- **Identify and engage your business champions**
  > Get the endorsement of your business case from the relevant department heads.
  > Have the business case endorsed by both your Procurement and Marketing leaders.

Illustrations and tools

- **L'Oréal's top management commitment**

A key element that made L'Oréal's Solidarity Sourcing successful was the support of Jean-Paul Agon, L'Oréal's Chairman & CEO at the time. He publicly endorsed the transformative potential of engaging the entire business ecosystem to achieve greater impact.

Getting top management support for your Inclusive Sourcing strategy is critical for greater success and impact, as they carry the strategic vision within and beyond the company.

"Over the last ten years, we have undertaken an in-depth transformation to reduce our impact across our value chain. Now is the time to take on greater responsibility, engage our entire ecosystem and demonstrate that companies can be part of the solution to the challenges the world is facing. With L'Oréal for the Future, we aim for an even more radical transformation, because it is our responsibility to take into account our impact beyond L'Oréal."

Jean-Paul Agon
Chairman and Former Chief Executive Officer of L'Oréal. June 25th, 2020

Tips

> Make your top management see the impact! Take them on a “field trip” or a “learning expedition” to show them what an Inclusive Sourcing program concretely is and create direct contact with people who are walking the talk.

> Integrate young, talented and passionate employees in the design of the first Inclusive Sourcing program and share their approach with your Executive Committee.

Stakeholders

- Leading: Procurement.
- External resources might be requested to formalize the strategic framework.

© BASF

STEP 1.5

Build a multi-functional project team

At this point, your procurement team will have a stronger sense of your company's readiness for Inclusive Sourcing within your operations and supply chain. To ensure efficiency and continuity, it is essential to assign a project team to design your Inclusive Sourcing strategy and follow through on each stage of the Inclusive Sourcing journey.

Recommended actions to undertake

- **Assign a project lead for the program** design with a clear view of the budget and resources. The project leader should be supported or sponsored by top management.
- **Make sure the project team** is endorsed by both the Head of Procurement and Head of Corporate Responsibility.
- **Align on the main deliverables** that will be expected and potential deadlines.

Tips

> Build a cross-functional team under the leadership of Procurement.

> Take this opportunity to onboard Junior Procurement talent to get a new perspective on the topic.

Stakeholders

- Leading: Procurement.
- Contributing: Corporate Affairs, Human Resources, Sustainable Development, Research and Development, Finance, and Marketing experts.

B4IG

Stage 2

Build your Inclusive Sourcing roadmap

Build your Inclusive Sourcing roadmap (setting priorities, assessing suppliers, identifying required partners, and building business cases while ensuring the proper monitoring of your activities).

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STEP 2.1

Define your Inclusive Sourcing Impact priorities (e.g., geographies, populations, etc.)

For this step, review the company's existing commitments to promote inclusion in its value chain. Your Inclusive Sourcing policies should reflect your company's priorities in terms of standards set for social inclusion[1].
Prioritizing populations in vulnerable situations (beneficiaries) and geographies is a key aspect of creating your Inclusive Sourcing roadmap. Starting with one specific category of beneficiaries may be a more straightforward way to test out this new policy before then expanding it to other groups of beneficiaries, and gradually scaling the program.
A global company may define broad social inclusion priorities for its sourcing programs but these priorities will then have to be implemented differently in the respective markets, depending on whether those priorities correspond to the country's social or demographic realities. For example, choosing to prioritize the inclusion of military veterans or specific minorities may not necessarily be relevant in all countries where your company sources goods and services.

Recommended actions to undertake

We acknowledge that the type of social inclusion beneficiaries varies depending on geographies, activities, etc. Therefore, the program must not have too narrow an approach when it comes to categories of beneficiaries, but instead define what is successful inclusion and what are the expected outcomes (see section 3.4).

- **Clarify your internal social inclusion priorities and commitments.**
  Begin this step by setting a definition of what "persons in vulnerable situation" implies. This is an important aspect, as this will become the basis for your social inclusion program. People in vulnerable situations are often people that are disadvantaged based on age, sex, disability, race, ethnicity, origin, religion, economic or other status[2]. Suppliers in vulnerable situations are small actors who lack the bargaining power and access to means and capabilities to receive the fair compensation they deserve.

- **Make a clear link between your internal HR Social Inclusion priorities (for hiring and career advancement) with your Inclusive Sourcing ambition**: 2 main types of actions could be undertaken:
  > Carefully choose the categories of people in vulnerable situations or beneficiary-profiles on which you want your sourcing strategy to focus.
  > Define how to reach prioritized populations through the company's supply chain.

1. OECD, *Due Diligence Guidance for Responsible Business Conduct*, 2018, See Section II, 2.4.http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf
2. United Nations, *Leaving No One Behind – The Imperative of Inclusive Development*, 2016, ST/ESA/362, available at: https://www.refworld.org/docid/5840368e4.html

> Identify the main challenges you might face depending on the region you work in and the type of beneficiaries you have defined.

> Review the beneficiaries of other relevant organizations' initiatives for the purposes of benchmarking and potential partnership.

Acknowledge that going further down in your supply chain, beyond Tier 1, will require more complex solutions. Prioritize collaboration with all supply chain actors.

Illustrations and tools

- **L'Oréal's Solidarity Sourcing Beneficiary Communities (Appendix, p. 4)**

The inclusion of populations in vulnerable situations (beneficiaries) in your sourcing program requires you to identify the different types of beneficiaries, whilst acknowledging that different types of vulnerabilities can be tied to each other. A single person may be subject to multiple factors that increases the vulnerability of his or her situation. The following list is not exhaustive; each organization should examine what are the socio-economic and cultural factors linked to vulnerability that are most relevant to the market or the company's specific activity:

- Fair Sourcing
- Women's empowerment
- People with disabilities
- Senior workers
- Long-term unemployed
- Refugee and asylum seekers
- Minorities
- Veterans
- Other socially and economically vulnerable people
- Local employment in vulnerable zones
- Small businesses
- Diverse-owned certified business suppliers ("Women, Minority, LGBTQIA+, Veteran, Disabled")
- Natural disaster
- Specific local know-how

- **L'Oréal Map of Solidarity Sourcing Top Levers (Appendix, p. 5)**

Tips

Questions you could consider as you set your Inclusive Sourcing priorities:

> Getting the right level of support internally and externally:
- Where do you have the largest impact and the best chance to obtain the support of your strategic suppliers?
- Which are the stakeholders that are engaged on the topic (such as development agencies...) that could support your cause?

> Quickly communicating on the first impact to create "snowball effect" :
- Which are the leading Business Units (BU) countries on the inclusion topics you could engage to mobilize useful stakeholders and showcase best practices?
- What social outcomes are you expecting from your engagement?
- How do you position yourself regarding your peers?

> Assessing the long-term strategic relevance:
- How is social inclusion connected to your mission, culture and values?
- How could it contribute to your company's differentiation, and uniqueness?

Start implementing

> Only use accurate, official data from governmental or international organizations to characterize and identify these populations in each country or region. Cross-check different sources.

> Lead by example: building on your own priorities and experience, inspire your suppliers by showcasing your commitment.

> "Make it easy or easier":
- Start the new approach in the region where you have a responsible sourcing champion/leader, or where you have already piloting a project/efforts?
- Start with a target which is obvious to your business and simple to address to gain quick wins.

Stakeholders

- Leading: Human resources in connection with the Inclusive Sourcing Project Team.

- External contribution: experts – for example from the OECD – to get access to relevant data; for non-profit and academic experts (sociologists and anthropologists).

STEP 2.2

Choosing procurement categories for inclusive sourcing: assessing the potential impact and feasibility

Your company should choose one or several procurement categories to initiate your Inclusive Sourcing strategy. The easiest would be to start small for the pilot phase and then expand it to other procurement categories.

Recommended actions to undertake

We recommend targeting the procurement category that is the **most visible, relevant, and impactful to your consumers and stakeholders** and that can contribute clearly to your brand equity. Other categories - perhaps less strategic – can be of interest too (e.g., indirect categories such as services for Fast Moving Consumer Goods companies).

- Engage in discussion with local and global procurement teams on the categories of greatest interest (See Illustrations and tools section).
- Engage in discussion with brands, products leaders to align on identified opportunities.
- Position your main sourcing categories on different matrices to prioritize them (e.g., around impact, business benefits, etc).

Illustrations and tools

- **Identifying key procurement categories and assessing them against their business and impact potential**

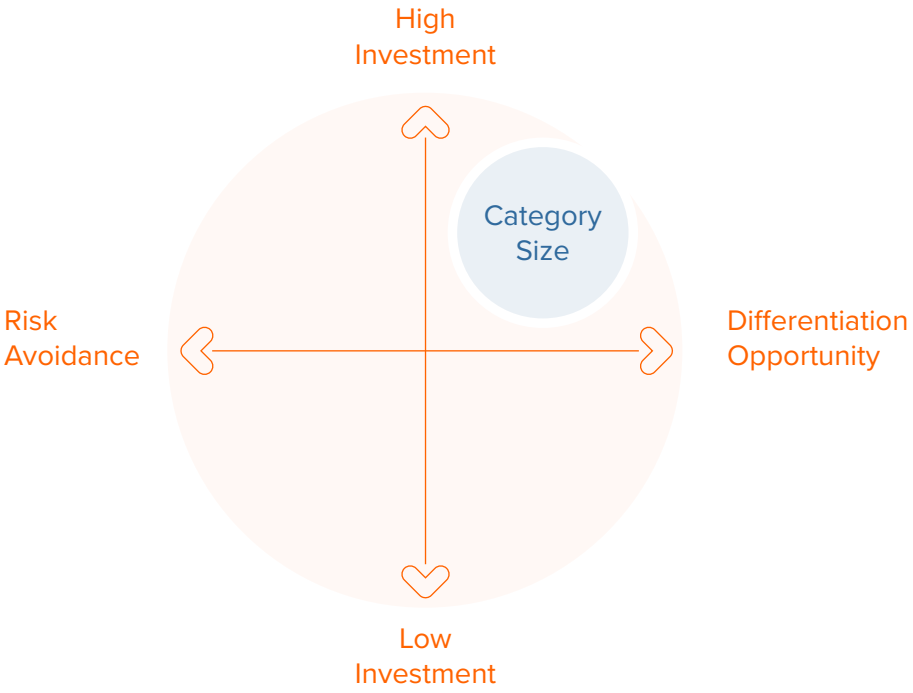
Categories	Priority geographies	Potential gap to target	Key countries	Leadership position as a buyer	Key issues	Additional opportunities to			
						Increase brand value	Lower cost	Mitigate reputational risk	Lower climate risk
Tea	Kenya	✖	✖	Local leader	Women empowerment	✔	✔	✔	✔
	Tanzania	✖		Global leader	Small producers access to land				
	India				...				
	Sri Lanka	✖			...				

- **Identifying key procurement categories and assessing the company's potential impact**

Key Concerns	Responses
Inclusion challenge to address	E.g., Women
Relevant procurement category	Coffee
Level of difficulty	Long term and complex
Company capacity to influence	High
Internal resources to engage	Procurement, Marketing
Potential social impact	High
Potential business impact	Risk mitigation
Fit with your company's inclusion priorities	High
Strategic suppliers' engagement potential	High
Existing pilots	No
Prioritization ranking	High
Comment	Quick win, strategic category, high ability to influence

- **Example of Matrix: strategic relevance of category**

This type of Matrix will help you create a discussion on the resources that you will require in order to shift strategic procurement categories towards more inclusive standards with a proper business return.



Stakeholders

- Leading: Procurement team to identify procurement categories that are the most strategic to your company, for reputational or economic reasons.
- Contributing: R&D team to participate to identify innovation opportunities.

STEP 2.3

Assess your strategic suppliers to ensure a shared accountability throughout the value chain

The goal of a comprehensive Inclusive Sourcing strategy is to work first with suppliers who share your company's values of inclusion. Thus, you need to review the suppliers you are currently working with to see if their values and commitments match yours and if they are willing to support your ambition. Start with your most strategic suppliers and engage with them in a collaborative way. While strategic suppliers are the most important in terms of value and risks, these suppliers are not necessarily the ones that pose the greatest risks from an inclusion perspective.

Recommended actions to undertake

Tracking and monitoring suppliers' social compliance is the first approach to suppliers review. However, Inclusive Sourcing aims for a collaborative approach around experience and network sharing as well as projects co-design.

- Potential partner identification:
  - > With your category procurement leaders, create a suppliers' checklist to identify suppliers that match your values and have already made commitments. Suppliers should complete and return the checklist for evaluation.
  - > Screen relevant Procurement Compliance platforms to find engaged suppliers (e.g., Sedex platform[1]...).

- Suppliers' engagement
  - > Engage in top-to-top interactions with some of your suppliers to show your strategic interest and engagement.
  - > Organize an event with your strategic suppliers to engage them and share a common ambition and best practices.

When you are ready, go beyond strategic suppliers and identify smaller but potentially impactful suppliers. Some certifications such as B Corp or ISO 26000 incorporate social inclusion standards that tell you about suppliers' commitment to the topic. The next step could be to re-classify your supplier portfolios based on inclusion risks or opportunity factors to identify "at-risk" suppliers and suppliers that you would potentially prioritize.

1. Sedex is a membership organization that provides platforms for companies to manage and improve working conditions in global supply chains https://www.sedex.com/

Illustrations and tools

- **Definition of strategic suppliers and cascading positive influence by L'Oréal**

L'Oréal's Solidarity Sourcing showcases a KPI related to the cascading of its inclusive policy and practices by its strategic suppliers (which represent 80% of L'Oréal's direct purchasing spend). L'Oréal committed to reach a level of 20% for its strategic suppliers associated with solidarity sourcing.

For L'Oréal, a strategic supplier is considered to be among the most committed ones when it implements equivalent inclusive purchasing projects inspired by the Solidarity Sourcing, independently from L'Oréal orders for either its own needs (like site building, cleaning security, gardening, catering, temporary labor etc.) or the needs of its other customers.

For the year 2030, although L'Oréal still encourages its suppliers to cascade the Solidarity Sourcing inclusive policy and practices throughout their whole ecosystem beyond L'Oréal orders, they do not report publicly. As some of its suppliers have been consistently committed to Diversity & Inclusion over a long period of time, L'Oréal considers that it is no longer relevant to specifically report on what its suppliers implemented "inspired by" L'Oréal's Inclusive Sourcing.

Tips

> Suppliers can also use the Inclusive Sourcing self-assessment tool to start a discussion on areas for improvement with you and their ecosystem partners.

> Social businesses or specific accredited organizations with a social inclusion objective[1] can also be potential suppliers of interest.

> Be open to learning from your suppliers. As some of them may be more advanced than your company in terms of Inclusive Sourcing, you may be able to adopt some of their relevant practices.

Stakeholders

- Leading: Procurement team to identify and connect with relevant suppliers. Chief Procurement Officer to engage in top-to-top interactions with relevant strategic suppliers.

1. such as Acteurs de l'Économie Sociale et Solidaire in France.

STEP 2.4

Deploy the first pilots and build an overall roadmap

You have laid the groundwork for an inclusive sourcing strategy, it is now time to start rolling it out! You can design your first pilots by partnering with your strategic suppliers and involving the procurement teams. Do not be afraid to fail, just make sure you always leave room for adjustment.

Recommended actions to undertake

- **Pilot -** Choose your first pilots strategically
  - Make sure they are well aligned with the overall company vision.
  - Drive possible quick wins that can help prove the success and relevance of Inclusive Sourcing, and that can help get top-management buy-in.

- **Reporting:**
  - Be sure to collect data and report from the very beginning.
  - Set up an online platform where you document and track progress.

- **Funding**
  - Create a specific dedicated funding mechanism to support projects in order to:
    - De-risk those projects.
    - Build a patient capital and return approach.
    - Generate partnership opportunities.
    - Attract external funding.

- **Support the roll out within your suppliers:**
  - Push for inclusive workplaces within your suppliers through communication and recognition (mainly Tier 1 and Tier 2 suppliers): based on your example and support, suppliers who use inclusive sourcing policies internally may be recognized by you through specific awards or communications. Being clear about which suppliers are deploying inclusive workplace policies can also help to identify relevant suppliers for future projects.

  - To enable suppliers to enter the market, they need support beyond communication (primarily Tier 3 and Tier 4 suppliers)::

    1) Equip by providing tools and training and establishing procurement partnerships (ideally contracts for at least 3 years to allow them to invest).
    2) Invest by selecting the most vulnerable suppliers and agreeing on a premium for their impact. This may include access to capital, expertise, technical support...

- **Reach out to other companies** to discuss the possibility of setting up joint projects to increase your impact.

- **Identify how potential partners can communicate** on their Inclusive Sourcing strategy in addition to your own company's communication.

Illustrations and tools

- **Inclusive Sourcing options and key challenges.** Companies have 3 different sourcing levers, with respective Inclusive Sourcing options and key challenges:

  1) **Buying internationally from traders** and purchasing certified raw materials or sustainable sourcing certificates. Challenges encountered may be recurring costs and demand that may grow faster than supply.

  2) **Buying from first-tier suppliers** and enter into long term agreements with suppliers, possibly co-investing in projects. Challenges encountered may be related to supplier awareness and engagement, as well as choosing the right supplier and providing incentives (acceptance of long-term contracts).

  3) **Buying directly from vulnerable suppliers** by (co-)investing in projects that directly support vulnerable micro-entrepreneurs (subsistence farmers, micro-distributors...). Key-challenges may be related to retaining small suppliers' and selecting the right partners (e.g., cooperatives).

- **Danone Ecosystem Fund for co-funding approach:** http://ecosysteme.danone.com/

- **Template example to structure project by Veolia (Appendix, p. 6-7.**
  Since 2016, Veolia has partnered with Our Country – a 100% aborigine-owned company – in a joint venture called "North West Waste Alliance", which provides environmentally responsible waste management solutions. Such an initiative helps improve the prospects and social inclusion of aboriginal people in Australia.

- **Solidarity Sourcing Journey by L'Oréal (Appendix, p. 8-9)**

- **Examples of innovative approaches**: Danone Ecosystem Fund, L'Oréal's Supplier Day, Farm Lab (Mars).

Tips

> Do not hesitate to reach out to third parties such as NGOs or associations to help you throughout your Inclusive Sourcing journey.

Stakeholders

- Everybody who has been involved in the process so far.

STEP 2.5

Define the KPIs to monitor and measure progress, and improve your social, environmental, and business impact

For the program to become truly sustainable, it will need to incorporate basic principles of measurability, accountability, and audibility into its operations. Any gains made by vulnerable populations through Inclusive Sourcing policies must be measurable and verifiable by third parties, including the development of Key Performance Indicators (KPIs), as Inclusive Sourcing must be a part of your license to operate. In this step, we recommend that you review your theory of change and identify specific KPIs relevant to your priority populations and activities.

Recommended actions to undertake

- Start by reviewing your existing procurement KPIs.
- Study common standards to identify relevant KPIs.
- Review your theory of change and logical framework.

Illustrations and tools

- **Example of a logical framework (see p. 13).**
- **Example of Inclusive Sourcing Impact Assessment to support the long-term unemployed individuals proposed by Audencia Business School (Appendix, p. 10)**

- **List of indicators used by L'Oréal (Appendix, p. 11)**

L'Oréal recommends a list of KPIs to evaluate, measure and report on Solidarity Sourcing in order to review and update key performance indicators to track progress of the program. Absolute KPIs are interesting (numerators & denominators below), and even more interesting are relative KPIs to compare the best in class at purchasing category, supplier, country and zone levels.

- **Beneficiaries: Counting Methodology by L'Oréal (Appendix, p. 12-13-14)**

Tips

> Bring an expert to the table to assess and certify the robustness of the KPIs you have selected and/or developed.

> Reach out to a local non-profit organization for input on the social impact on local communities.

> Make sure that you weigh your impact according to your procurement weight.

> Engage specific social impact measurement studies for large programs.

> Define and enrich a set of KPIs specific to your organization, which you can reuse (as fit) when launching new projects to ensure consolidated communication down the road.

> Align on your company's overall Inclusive Sourcing impact indicators. Building on this, define intermediary indicators (output, outcome) that showcase your progress on the first Inclusive Sourcing results.

> Be clear on your baseline to start measuring your progress.

Stakeholders

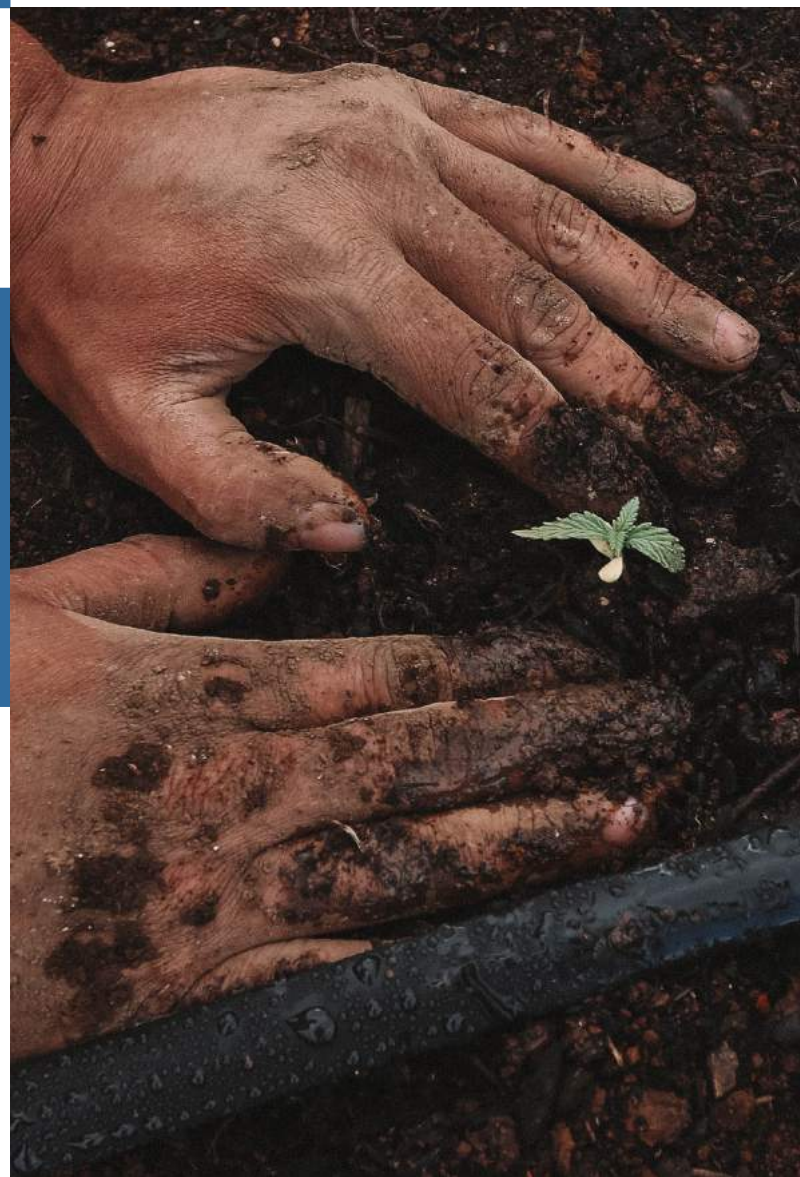
- Leading: Corporate Affairs, dedicated IS team.
- Contributing: Procurement, Internal Control.

B4IG

Stage 3

Ensure your company is engaging in a transformational journey

Ensure your company is engaging in a transformational journey (formalizing and communicating - both internally and externally - on your commitments, adapting accordingly your existing procurement processes and governance system).



STEP 3.1

Formalize overall Inclusive Sourcing commitment to communicate internally and externally

To easily share information about your plans and ambitions for Inclusive Sourcing, you should create a single comprehensive document that can be used internally or externally to inform anyone interested or involved in Inclusive Sourcing about clear guiding principles that you have decided to follow. The format of your Inclusive Sourcing commitment can vary but should include measurable commitments.

Recommended actions to undertake

Your commitment should include:

- Background information to define the context in which you operate.
- The relevance of inclusion to your organization and your ecosystem.
- The priorities you have identified and want to work on.
- A definition of inclusion for your organization in connection with B4IG.
- A description of your partnership approach.
- A description of your commitments and indicators of success.
- A roadmap for the next steps, including timely commitments and deadlines such as:
  - Step 1: design initial pilots with a strategic ambition.
  - Step 2: consolidate lessons learned and finalize commitments.
  - Step 3: deploy with the clear intention to scale up with relevant partners.
- The governance bodies which will follow up the deployment.

Inclusive Sourcing can be an extension of an existing responsible sourcing policy (to create a clear link to your procurement ethics).

Since responsible sourcing covers environmental and social considerations, inclusive sourcing can be complementary to an existing environmental policy.

Illustrations and tools

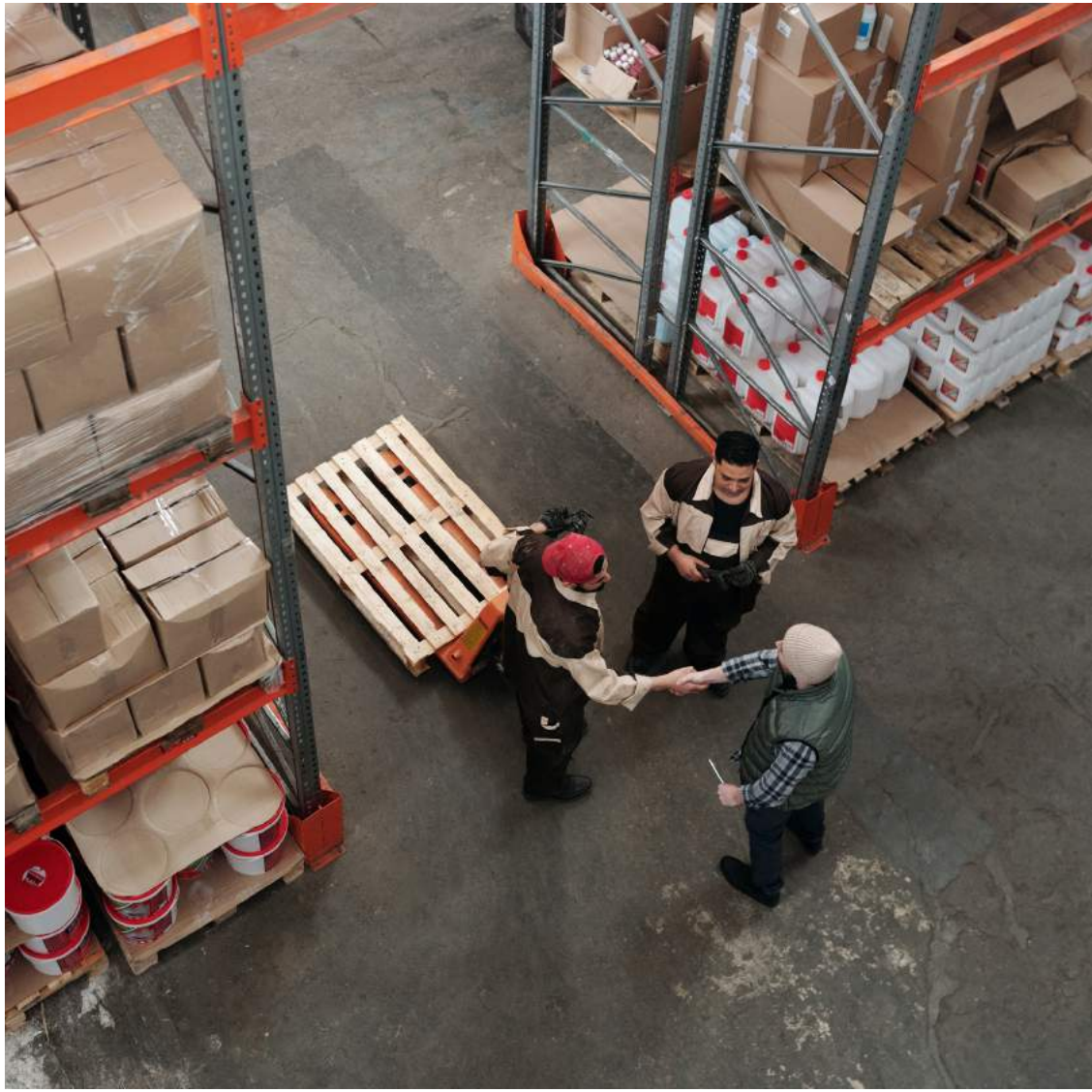
- **Keurig Dr Pepper Materiality Matrix (Appendix, p. 15)**

In early 2021, Keurig Dr Pepper conducted a formal materiality assessment to ensure consistency between issues and impact[1]. The matrix highlighting Environmental, Social and Governance issues (ESG) informs Keurig Dr Pepper's strategy in terms of resources investment, operations, and reporting on corporate responsibility efforts. The materiality study also includes an assessment of developing trends as well as feedback from internal and external stakeholders.

Stakeholders

- Leading: Corporate Affairs team to ensure the document is targeting the relevant stakeholders.
- Contributing: Procurement team to ensure the paper includes all relevant aspects of procurement.

Top management validation will ensure the alignment with the global company mission, values, and strategy.



1. Keurig Dr Pepper, *2020 Corporate Responsibility Report*, 2020, https://www.keurigdrpepper.com/content/dam/keurig-brand-sites/kdp/files/KDP-CR-Report-2020.pdf

STEP 3.2

Ensure integration of the Inclusive Sourcing program into your governance

To ensure success and gain traction, the program will need guidance from a governance body to clarify the Inclusive Sourcing priorities, overcome contradictions and bridge the gaps between the ambition and the company's operational agenda.
Because inclusive sourcing comes with a specific set of challenges and covers a broad group of people, your grievance mechanism must be tailored to cover this specific topic.

Recommended actions to undertake

- **Adapt your existing governance** and grievance mechanism (which is a pre-requisite to embark on the Inclusive Sourcing journey) to cover the challenges of Inclusive Sourcing. It should include monitoring processes such as internal audit to assess the implementation of processes that support Inclusive Sourcing.
- **Define which governance bodies will monitor** on the Inclusive Sourcing advancement.
- **Select participants in governance bodies** to highlight the company's strategic interest and attract internal stakeholders. Three levels of governance can potentially be included: corporate level, procurement level and at the regional/local level.

Tips

> The company Chief Procurement Officer should participate in the corporate committee.

> Involve external experts and stakeholders regularly.

> Organize field trips for the committee members to review a specific program, visualize the impact and meet with partners.

Stakeholders

- Leading: Procurement.
- Contributing: Internal Audit, Corporate Affairs, Legal.

STEP 3.3

Adapt your procurement processes to meet your objectives

At this point, you need to review the procurement processes that your company has followed to date. To gain traction and really embed your Inclusive Sourcing ambition into established processes, it is crucial to translate them into legal and business incentives for suppliers. Be sure to adapt the complete procurement process (from bidding to decision making and performance monitoring) to include your new Inclusive Sourcing priorities.

Recommended actions to undertake

- **Map** the various procurement processes which need to be adapted.

- **Review key processes** such as:
  - Addition of baseline information on Inclusive Sourcing to be added in supplier briefs.
  - The procurement decision making criteria.
  - The procurement contract with the selected suppliers.
  - The procurement objective setting, performance review and alignment of your rewarding system.
  - The suppliers' evaluation process.
  - The due diligence process and all grievance mechanisms.
  - (...)

- **Aim at building long-term procurement contracts** and establish strong partnerships with your strategic suppliers.

Tips

- Be clear on your inclusion priorities and decision-making criteria.

Stakeholders

- Leading: Procurement, Legal, Finance.

STEP 3.4

Identify training needs for both your employees and partners

Your teams must be trained on the topic, so that they can acquire a real command of the principles and definitions of Inclusive Sourcing. Training should raise awareness on the socio-economic difficulties of the communities for which the program is intended. The training should be designed to empower relevant employees to implement the program in their daily activities.

Recommended actions to undertake

- While your procurement team will be the primary target of these trainings, they should not be the only ones. Other relevant teams would contribute to the holistic integration of your Inclusive Sourcing strategy in the company need to be trained as well (Sustainability, R&D, Marketing, Communication). For example, train your Marketing team on brand equity and new ways to connect with consumers as well as R&D teams to incorporate these elements into the innovative product design (green and inclusive product design).
- Engage with the Procurement board to get endorsement for the trainings.
- Key topics of procurement training programs could be:
  - Fundamentals of responsible procurement with due diligence process.
  - Internal Inclusive Sourcing procedures and processes.
  - Selection of Inclusive Sourcing partners (suppliers, institutions, experts, NGOs...).
  - Engaging suppliers on the path to inclusion
  - Measuring and reporting results.
  - Traceability and labeling mechanism.
  - Brand communication opportunities.
  - Institutional partnerships and funding opportunities.
  - (...)

Illustrations and tools

- **In order to train relevant competences:**
  Schulze, H., Bals, L. and Johnsen, T. E., "Individual Competences for Sustainable Purchasing and Supply Management (SPSM): A Literature and Practice Perspective" *International Journal of Physical Distribution & Logistics Management*, 2019, https://doi.org/10.1108/IJPDLM-01-2018-0036

Training of relevant competences (see previous page for reference):

Competence Domain	Allocated Nodes
Cognition-oriented Competences	• Ability to Make Decisions • Critical Thinking • **Systems Thinking Competence** • Supplier Relationship Management - Holistic View • Resourcefulness - Creative Combinations
Social-oriented Competences	• **Communication Skills** • **Cross-functional Team Working** • Organizationally and Politically Savvy - Interaction • **Stakeholder Management - Communication** • **Supplier Relationship Management - Communication**
Functional-oriented Competences	• Source-to-Contract **Demand Management - Category Strategy** **Demand Management - Tender Analysis** Implementation - Contract Management Implementation - Reporting & Measurement Negotiation Spend & Demand Analysis • Purchase-to-Pay Invoice, Payment Order Confirmation, Claim Management Ordering Requisition & Approval • Data & System • **Supplier Relationship Management - Application of Tools** • Performance Management • HR Management & Training • **Sustainability & Compliance** • **Basic Individual Knowledge on PSM** • Stakeholder Management - Application of Tools • **Basic Sustainability Knowledge** • Resourcefulness - Application of Tools
Meta-oriented Competences	• **Commitment to Change** • **Self-Reflection** • Organizationally and Politically Savvy - Playful Attitude • Supplier Relationship Management - Cooperative Attitude

Legend : **Bold** = Most coded competences

Tips

> Training on Inclusive Sourcing should not be a one-off exercise. Organize regular follow-up training sessions to freshen up the knowledge and inform about new developments in the field.

> Consider providing and co-designing training opportunities for your strategic suppliers. This type of training program could also be designed with peer companies (for example companies from B4IG coalition).

> Organize a learning expedition for a direct learning experience: set up a field visit and interactions with different stakeholders of your supply chain.

Stakeholders

- Leading: Human Resources, Procurement.

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STEP 3.5

Communicate on your Inclusive Sourcing strategy and achievements, both internally and externally

Your company needs to communicate its new inclusive procurement strategy throughout the organization. In the long run, this will build internal commitment and alignment among the departments involved. Inclusive sourcing will be a source of pride and engagement for all of your company's stakeholders and will play a crucial role in making you the customer of choice for your key suppliers.

Getting the support of your external stakeholders is also critical in order to scale up. Given the different nature of external stakeholders, you need to ensure that the way you engage with them is tailored to their needs and specificities. After years of green washing and social washing, stakeholders expect authentic, solid stories and facts. Most of them are looking not only for evidence of impact, but also for lessons on how to achieve scale.

Recommended actions to undertake

1. Internally

- **Communicating:**
  - Use the theory of change and business case - previously developed - to communicate your vision and ambition for impact.
  - Design communication material about your first projects/actions to build an appropriate narrative, presenting concrete actions and beneficiary profiles.
  - Identify the key internal stakeholders to engage so they can support the vision and communicate internally.

- **Engaging:**
  - Choose a champion for Inclusive Sourcing at the Executive Committee level to demonstrate the strategic relevance. Identify other champions at different levels that can help you promote Inclusive Sourcing internally.
  - Make sure that your Inclusive Sourcing strategy is visible at major managerial events.
  - Provide opportunities for employees to propose Inclusive Sourcing projects.
  - Organize activities for your employees to contribute to the cause you are supporting (e.g., fund raising campaign for the communities)
  - Adapt your career and rewarding processes to promote new leadership on Inclusive Sourcing topics (rewards for meeting inclusion targets).

2. Externally

- Map your external stakeholders to identify the most relevant ones that will support your approach and benefit your business (from license to operate to competitive advantage for product brands).

- Develop a tailored approach to each external stakeholder: customers, clients, suppliers, institutions (global and local), non-profit organizations.

- Build a strong storytelling based on clear evidence of impact:
  1) Create a beneficiary portrait to describe the profile and challenges to overcome in order to create an initial emotional and operational binding.
  2) Identify initial opportunities to connect with the company brand and product brand storytelling.

Illustrations and tools

- Partnerships are inherently complex and resource-intensive and should be driven by strategic needs and not opportunistic motivations. Most partnerships are beneficial with a middle/long-term engagement. To assess the need for partnership, you can answer the following questions:

1) Reasons for partnering:
   - Does my organization face a credibility issue regarding the deployment of the program?
   - Do I have the internal resources/expertise to implement the program?
   - Do I have the necessary network to support the program?

2) Cost/complexity of partnering:
   - Specific resources needed to establish the partnership.
   - What is the potential complexity of governance related to the partnership?
   - Assess the exit arrangements with potential mitigation of exit risks.

> Table 1:

To explore partnership opportunities, first identify the strategic reasons for partnerships for each sourcing category and geography. Then assess resources and complexity to ensure that the partnerships you want to build will provide a clear return.

> Table 2:

Identify the expected return from partnerships according to each region and sourcing category.

Table 1

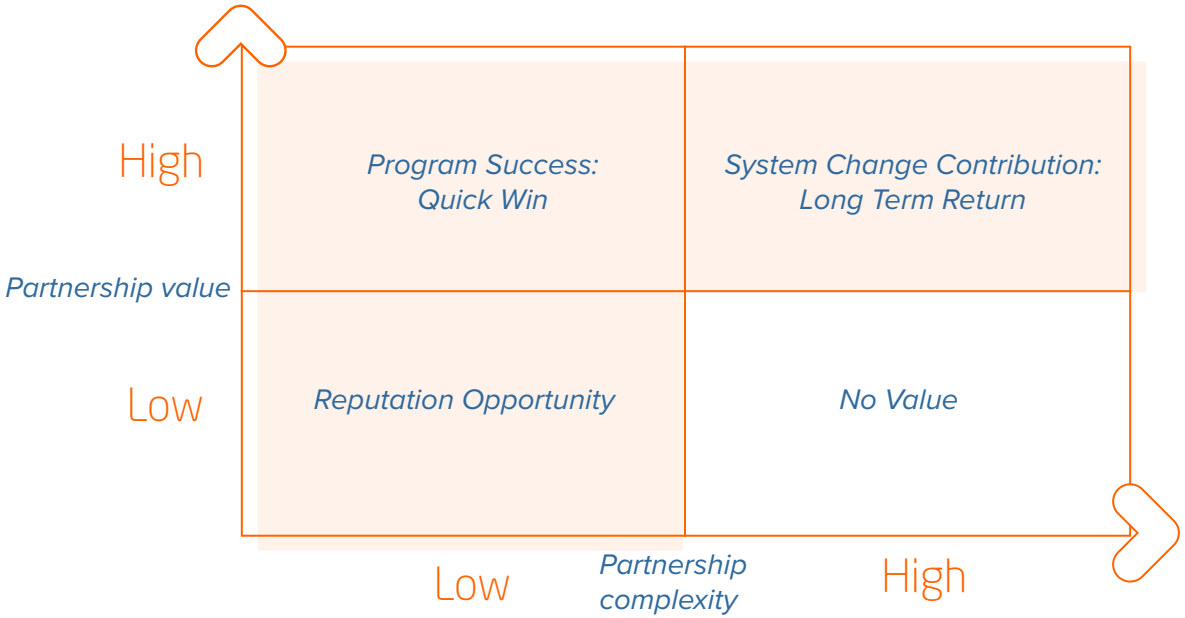

Table 2

Need to strengthen key capabilities	A. Designing and managing integrated and scalable programs	B. Evolving relationship with suppliers to enable joint program investment and management	C. Identifying externalities and enabling co-investment by partners (external funders, NGOs) and sustainable business partners
Category/ geography X	Yes/No		

Source: Hystra Consulting

- **L'Oréal 2020 Top 15 Solidarity Sourcing Projects (Appendix, p. 16)**

Tips

> NGOs and Development agencies have specific expertise related to the theme of Inclusive Sourcing. Engaging with them as early as possible in the process can help capitalize on their expertise and improve the legitimacy and credibility of your Inclusive Sourcing approach.

> Share the real journey with its "ups and downs", encourage transparency on lessons learned from failures as an opportunity for continuous progress.

> Create an internal challenge/competition within the procurement function (and marketing function) to attract first projects.

> Make sure you do not overpromise on your potential impact.

> Do not instrumentalize the cause you are advocating: always respect beneficiaries' dignity and if necessary, favor indirect return.

> Communicate openly about the challenges, not only the successes

Stakeholders

- Leading: Procurement.
- Contributing: Communication, Corporate Affairs, Sustainability, Top Management.

Appendix

Further illustrations and tools
In addition to the illustrations integrated to the methodology, please find appended further illustrations and tools that can be a source of inspiration.

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Insights from Chief Procurement Officers

"Ambitious transformation has been initiated in BNP Paribas Strategic Sourcing function, including continuous enhancement regarding sourcing standards. Participating to develop inclusive sourcing through collective methodology is a foundational step to support more diversity, innovation and agility to serve BNP Paribas commitments."

Jean-Gil SABY, BNP Paribas Chief Sourcing Officer in charge of Group Strategic Sourcing

BNP PARIBAS

"The 'Dual Project' - the purpose of business to ensure economic success and social progress - has been in Danone's DNA since the 1970s. We have been pioneering social and economic inclusion through our social innovation funds – Communities, Livelihoods and the Danone Ecosystem Fund. The Inclusive Sourcing framework provides an opportunity for us to build upon our pioneering approach and maximise our impact. We are very proud to be part of this journey."

Jean Yves KRUMMENACHER, Danone Chief Procurement Officer

DANONE ONE PLANET. ONE HEALTH

"L'Oréal seeks to uphold the principles of diversity & inclusion and to create opportunity for the underprivileged across our operations. Through our flagship program Solidarity Sourcing, launched 10 years ago, L'Oréal partners with its suppliers to create employment for people who are typically excluded from the job market. It has led to decent work for tens of thousands of disadvantaged workers. B4IG's new Inclusive Sourcing Guide which we helped design will enable more companies to implement these same principles and create opportunity for the greatest number."

Audrey Izard, L'Oréal Group CPO, Indirect Sourcing
Séverine Thery-Cave, L'Oréal Group CPO, Direct Sourcing

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