
Introduction to BSR's Value Chain Leadership Ladder

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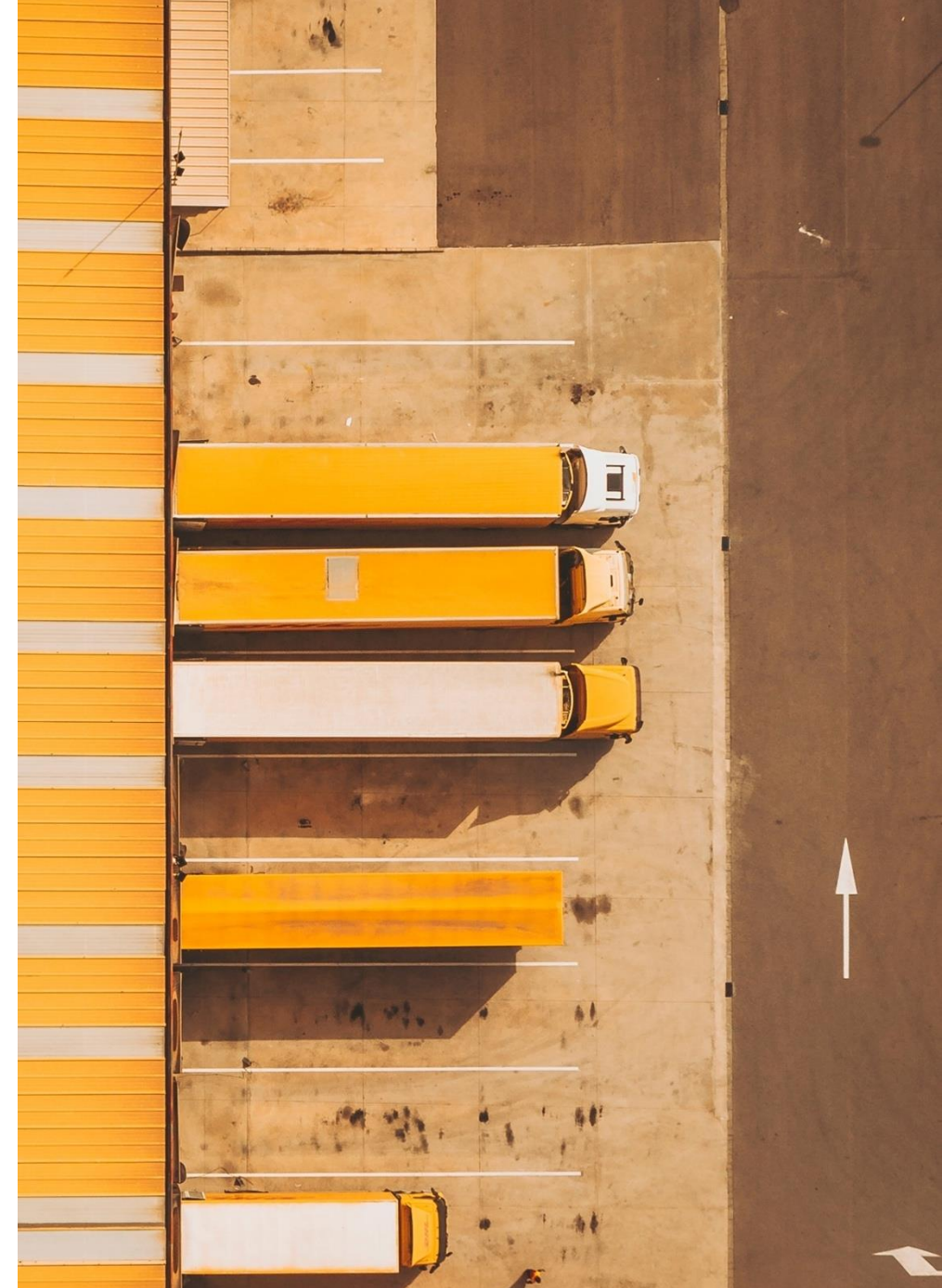
Building Resilience and Sustainability with BSR's Value Chain Leadership Ladder*

Value chains are widely recognized as a critical lever to sustainability progress, with the potential to impact billions of livelihoods and ecosystems across the globe.

Multiple disruptive events have impacted the daily realities of supply chain management, making the need for sustainable action ever more urgent, but the context for decisions more complex.

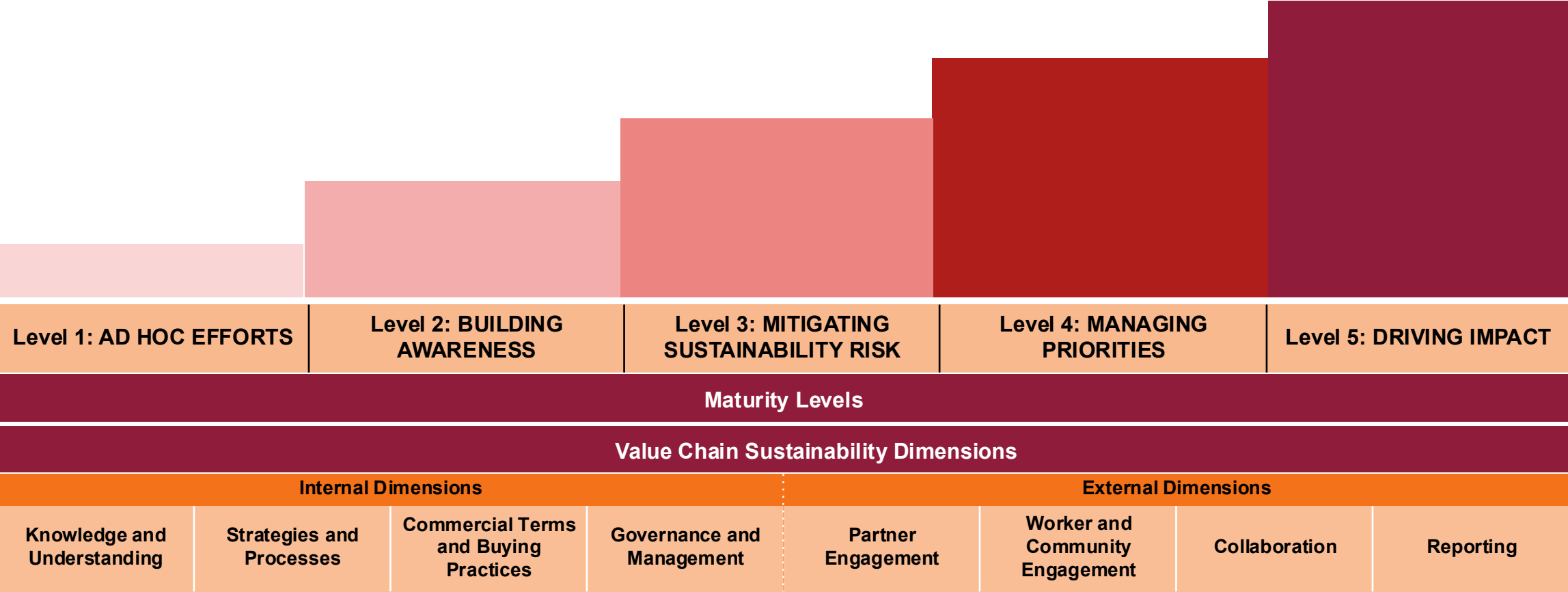
Complex times call for strong foundations and BSR's freshly updated **Value Chain Leadership Ladder**, informed by 30+ years of working with companies across industries, outlines how to concretely advance corporate leadership in Value Chain Sustainability.

The Value Chain Leadership Ladder is an evolution of BSR's Supply Chain Leadership Ladder, developed in 2017 and updated in 2019.



BSR's Value Chain Leadership Ladder

BSR's Value Chain Leadership Ladder covers eight foundational components of a company's value chain management, based on a five-point maturity scale. The ladder also incorporates requirements of the global regulation and encourages responsible growth in collaboration with value chain partners.



Value Chain Leadership Ladder Assessment

BSR's VCLL helps companies evaluate and evolve the maturity of their value chain sustainability processes and programs. This diagnostic enables companies to understand the strengths and gaps in their current approach and what progressive changes can be made to build on their existing work.

Key Elements of a Value Chain Maturity Assessment

1. **Evaluate the level of maturity** of a supply chain and/or value chain program
2. **Benchmark against peer/leading companies** within the framework
3. **Formulate a path to enhance maturity based on assessment findings** to increase positive impacts within a company's value chain and mitigate negative ones



1. Evaluate level of maturity

INTERNAL DIMENSIONS

VCLL Maturity Curve | Supply Chain Knowledge & Understanding

To what extent do we understand our value chain and related impacts (both positive and negative)? To what degree do we work to understand the root causes of value chain risks that limit risk mitigation for our value chain partners?

PRE-AWARENESS (Ad Hoc Efforts)	BUILDING AWARENESS (Nascent)	MITIGATING ESG RISKS (Established)	MANAGING PRIORITIES (Integrated)	DRIVING IMPACT (Transformative)
<p>We have general understanding of significant risks in our value chain originating from external reports, but have not explored the salient risks. We do not have a vision or standard process for communicating with partners regarding sustainability topics.</p> <p>We have ad-hoc efforts to gather and document information around sustainability issues in our value chain (e.g., based on supplier engagement following external reports, and on issues that require legal compliance).</p> <p>We have started to organize the information captured to our procurement function on our critical value chain partners, starting with Tier 1 suppliers, to provide a foundation for managing sustainability information.</p>	<p>We have visibility to all priority vendors, and a high-level understanding of operational activities of our partners across all key stages of our value chain.</p> <p>A vendor sustainability/risk database is in place, but it may not be systematically capturing supplier, category- or ingredient-specific information.</p> <p>Efforts to understand and map the value chain are underway.</p> <p>Primary value chain knowledge is rooted in data collection from vendors willing to share data.</p> <p>Courtesy of origin of priority raw materials is tracked.</p>	<p>We understand our responsibility for maintaining sustainable value chains by assessing and mitigating existing risks and monitoring emerging risks. We also recognize our role in setting expectations for our value chain partners to act responsibly and support our vision for a sustainable value chain.</p> <p>Sustainable procurement program is inclusive of significant spend areas and is informed by a systematic review of sustainability risks and opportunities.</p> <p>Majority of or all of our strategic/critical partners are included in our management system and priority risk assessment data has been collected.</p> <p>Inclusive scope of issues, informed by international standards and frameworks (e.g., UNDP, SDG, OECD, etc.).</p> <p>Tools may include risk assessment, self-assessment, validated desktop assessments, engagement with value chain stakeholders or their representatives (e.g., floriculture communities, workers) and/or audit processes.</p> <p>Our approach to value chain vendor data collection aims to limit burden on suppliers, first pulling from internal and publicly available data sources, before making requests to vendors.</p> <p>We have some visibility at the far ends of our value chain, including farm/production level for priority materials and customer/consumer use and disposal.</p>	<p>We evaluate the risks and opportunities in our value chain from a business as well as social and environmental perspective. For priority and high-risk commodities, products and services, we have a good understanding of sustainability risks and opportunities upstream and downstream along the value chain. We focus our efforts where risk and responsibility are the greatest.</p> <p>Robust approach to risk and opportunity identification and management throughout our whole value chain, which sets the strategy.</p> <p>Partners describe progress in mitigating risks identified in their operations or against any corrective action plans in place.</p> <p>We have undertaken a value chain maturity or equivalent exercise to identify our key risks and opportunities.</p> <p>We have gained traceability in critical categories and engage our partners on addressing risks in their own supply chain.</p> <p>Leveraging standard procurement practices and goal-setting to drive more visibility upstream in our value chain.</p> <p>Systematic ability to capture information about vendors, kept on a centralized system.</p>	<p>We have a vision for responsible and sustainable value chains and work to maintain strong visibility of our whole value chain, understand root causes tied to risks, and proactively address emerging risks. We engage and support our value chain partners in preventing and/or mitigating value chain issues.</p> <p>A statement from Supply Chain leadership (CPO or equivalent) states our vision and our understanding of our role in understanding our entire value chain.</p> <p>A value chain strategy that identifies salient issues and demonstrates a plan to achieve our vision for a responsible value chain.</p> <p>We have embraced traceability across key procurement categories as a business strategy, and we act on findings.</p> <p>A formalized process helps us understand root causes contributing to existing value chain risks and emerging risks.</p> <p>Our vendors are partners in addressing risks and implementing processes and technology that enable harm reduction. We have implemented tools that ensure visibility of risks tied to our priority suppliers and provide responsible visibility of risks and risk mitigation activities undertaken by all value chain partners.</p>

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EXTERNAL DIMENSIONS

VCLL Maturity Curve | Collaboration

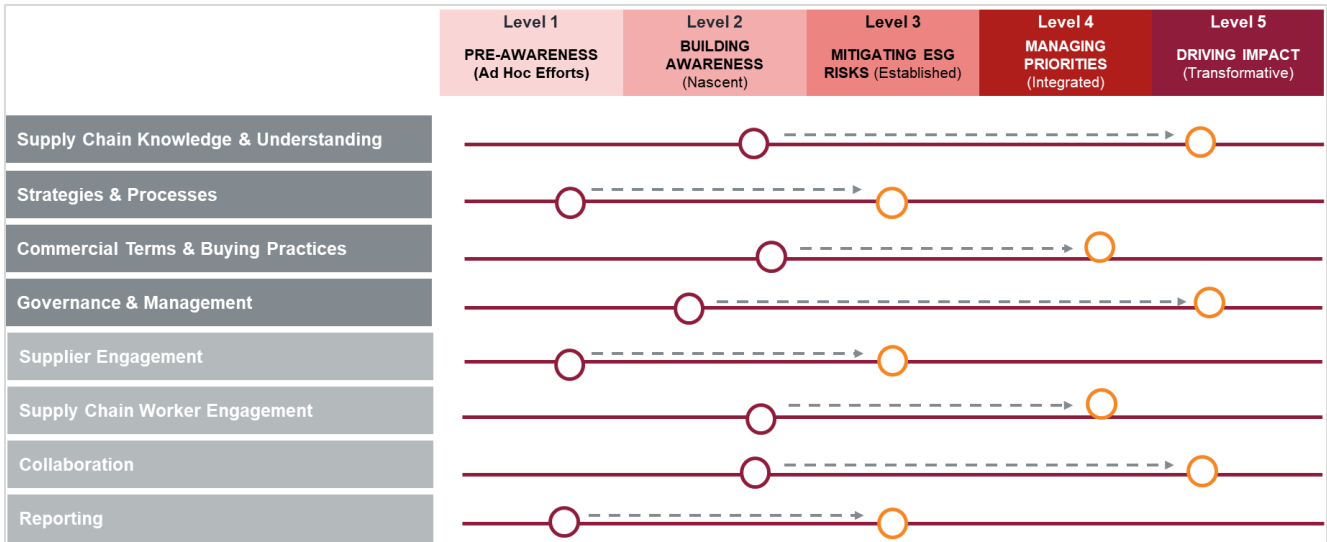
To what extent do we collaborate to ensure aligned approaches to scale supplier, industry and community improvements?

PRE-AWARENESS (Ad Hoc Efforts)	BUILDING AWARENESS (Nascent)	MITIGATING ESG RISKS (Established)	MANAGING PRIORITIES (Integrated)	DRIVING IMPACT (Transformative)
<ul style="list-style-type: none">Company is either not participating in any collaborative work or initiatives; or, company is participating in collaborative efforts, but mostly for reputational purposes / collaborations do not particularly impact company approaches to value chain sustainability.Company's supply/value chain policies and commitments align with relevant external global standards, frameworks, regulations, and definitions.	<ul style="list-style-type: none">Participation in collaborative learning working groups without defined expectations of performance.Collaboration is reactive to enterprise risks (including reputation), and not necessarily informed by the most material issues.Company leverages collaborative research with universities, academics, experts, suppliers, rightsholders, etc. for learning.	<ul style="list-style-type: none">Participation in collaborations is informed by the most material value chain issues or categories.Company is aligning their own objectives, material issues, and goals with those of the collaborative initiatives they are active in. The collaboration directly informs company decision-makers.Company participates in collaborative initiatives / research / efforts / etc. that go beyond collaborative learning and capacity building, and move towards supply chain improvement. This means that the collaboration:<ul style="list-style-type: none">i. Engages affected stakeholders (suppliers, downstream partners, rightsholders) in the development of standards, frameworks and guidelines to mitigate value chain risks.ii. Is mindful of the implications on suppliers, and advocates for approaches that are efficient for both the buyer and supplier.iii. Has clear expectations of members' performance and engagement.	<ul style="list-style-type: none">Company chooses to participate in collaborations that are action-oriented - focused on coordinating actions and investments of participants and improving outcomes in the value chain.Value chain partners may participate in or directly benefit from the collaboration.Company contributes funding to coordinated, collective investment on-the-ground, or with value chain players with less access to resources, to scale impact on key issues.Company may take a leadership role in one or multiple of these initiatives, represented by or supported by company decision-makers.Company's procurement team may be represented in the collaboration.	<ul style="list-style-type: none">Company chooses to participate in collaborations that reflect the following characteristics, and/or uses its position and influence within collaborations to encourage the following activities:<ul style="list-style-type: none">i. Strong principles and practices with regard to uplifting supplier and rightsholder agency. This means that suppliers, rightsholders, and other marginalized stakeholders are represented in defining challenges, creating shared goals and solutions, and decision-making and governance processes.ii. Advocacy, including influencing or lobbying for relevant government policies, and advocacy to key external organizations / standards.iii. Cross-sector engagement, coordinating not just within industry, but also on a larger scale for more jurisdictional approaches (e.g., working with other industries sourcing in shared regions, financial sector).

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BSR's detailed descriptions of each VCLL dimension's maturity curve helps to determine a company's current state



Companies can use the Current State Assessment and Leadership Ladder to understand where they currently stand and set clear goals for where they want to go

2. Benchmark against peer/leading companies

Main Insights

Program Structure

Governance & Management

Supplier Engagement

Collaboration & Reporting

- Formal **risk assessment processes** and criteria enable leading companies to identify and manage risks in a targeted manner
- Companies often have a dedicated team or function responsible for managing risks
- Lead companies often have a dedicated team or function responsible for managing risks
- Supplier engagement is often a key focus area for leading companies
- Lead companies often have a dedicated team or function responsible for managing risks
- Reporting of **metrics on specific material issues** (e.g. working hours in China) is a nascent leading practice

ILLUSTRATIVE

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Peer Benchmarking Results

	Company	Company	Company	Company	Company	Company	Company	Company	Company
Program Scope & Structure	★	●	●	○	○	○	★	★	●
Governance & Management	●	●	○	○	○	○	●	○	●
Supplier Engagement	★	★	●	○	○	○	●	●	○
Collaboration & Reporting	○	★	★	○	○	●	●	○	★

Scale: ★ Best practices ● Fully addressed ○ Partially addressed ○ Not addressed

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BSR can provide insights on peer and leading practices across the eight elements of the assessment in key areas of concern.

Company XX

Program Structure

Governance & Management

Key Insights

Name: XXXXX

Size of Supply Chain: 1,926 factories representing 850 suppliers; 160 strategic partners make 60% of all products

Program overview:

- Encompasses fashion
- Approach to risk: Every first tier on their level
- 100% of new suppliers are vetted before placing orders

Governance and Management:

- Head of Sustainability
- CEO, CFO, and Executive management
- Staff structure: Centrally managed
- Over 2500 staff
- 50 "Conscious production of goods"
- Integration into business: Code of Conduct only those suppliers who are strategic partners.
- Purchasing planning tools and costing methods are aimed at supporting suppliers in paying a fair wage and reducing overtime
- IT Tools used:** Proprietary data collection tool to manage supplier/audit data

ILLUSTRATIVE

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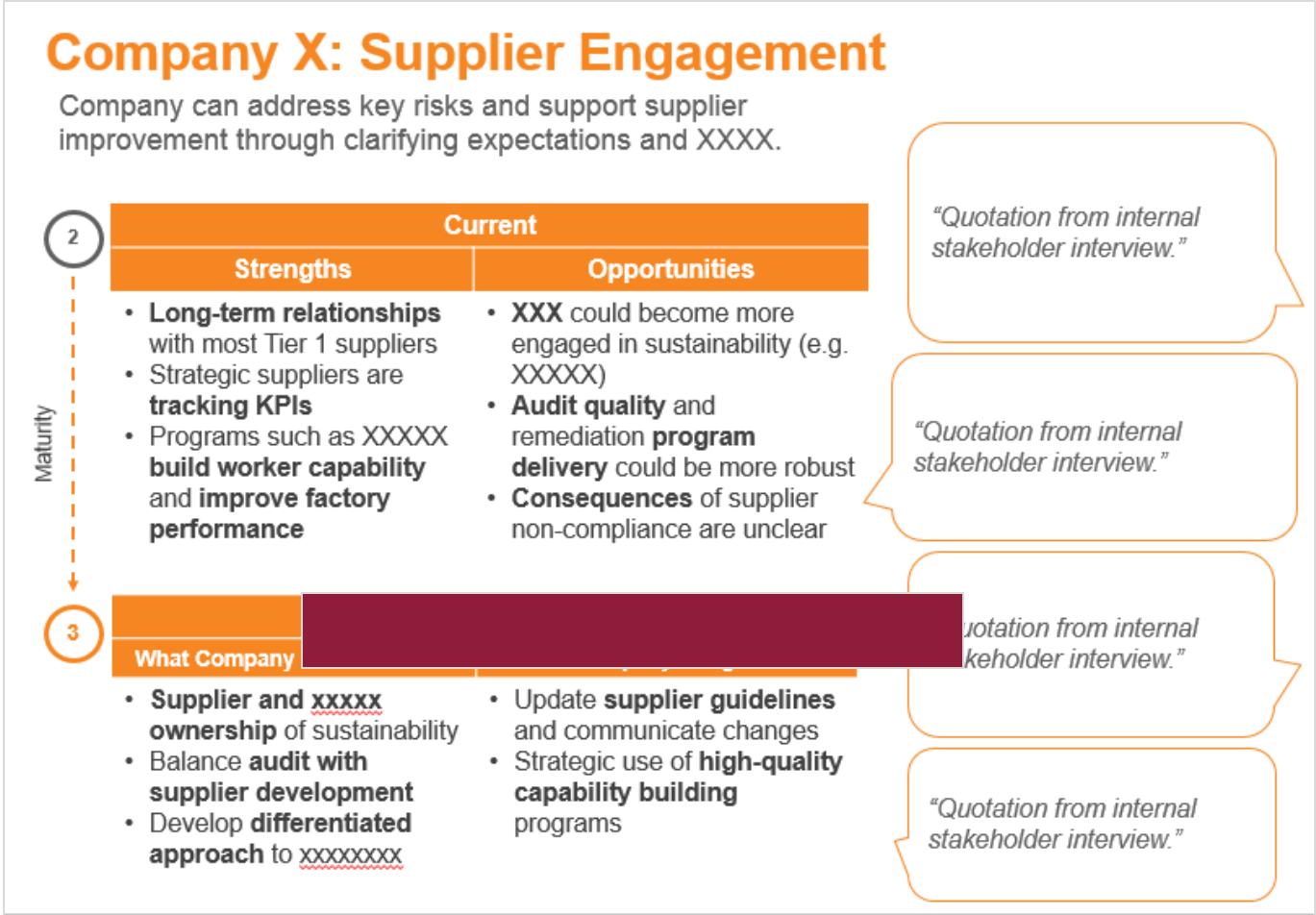
Use of self assessments and auditing

Some leaders combine self-assessment with selected auditing, while others focus exclusively on audit or certification to their own standards.

	Self-assessment	Selective auditing (e.g. high risk suppliers only)	Extensive auditing (e.g. all Tier 1 suppliers)	Certification to company-developed standard
Company A	No	○	○	○
Company B	Yes	○	○	○
Company C	No	○	○	○
Company D	No	○	○	○
Company E	Yes	○	○	○
Company F	No	○	○	○
Company G	No	○	○	○

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3. Formulate a path to enhance maturity based on assessment findings



BSR can provide recommendations on how the company can advance its program, based on the results of the maturity assessment, informed by all assessment inputs and BSR’s expertise.

Internal and external drivers of positive impacts within value chains

Each company and industry will have different areas of impact that may be upstream or downstream from their own operations. BSR's maturity assessment includes activities across the whole value chain to reflect this.



Knowledge and Understanding

How much do we understand about our value chain and its impacts? To what degree do we understand the root causes of value chain risks that limit mitigation for value chain partners?

Strategies and Processes

How integrated is sustainability into our corporate, value chain, and procurement strategies and processes?

Business Partner Engagement

To what extent do we take responsibility and work collaboratively with suppliers and business partners toward a shared supply chain sustainability vision?

Supply Chain Worker Engagement

Do we empower our vendors to engage workers on safe operations, human rights, and their and their families' well-being? How do we engage communities in our value chain to ensure that negative impacts are mitigated?

Commercial Terms and Buying Practices

How aware are we of the influence of our commercial terms and buying practices on supplier and value chain partner performance? To what extent are we taking shared responsibility on social and environmental impacts?

Governance and Management

How well is our approach to sustainability governed and managed in our business? Do we provide enough resources and hold ourselves accountable?

Collaboration

To what extent do we collaborate to ensure aligned approaches to scale supplier, industry, and community improvements?

Reporting

How do we report on our value chain, and to what extent does that reporting enable collaboration and accountability, by both ourselves and our industry?

Our Experts



Clodhnagh Conlon

Director, Consumer Sectors

Paris

Supply Chain and Consumer Sectors expert, co-leading BSR's work in both supply chain sustainability and Food, Beverage, and Agriculture.



Renata Greenberg

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Copenhagen

Supply Chain, Business Transformation, and Tech Industry expert, leading BSR's work on supply chain strategy design and implementation.



Ricki Berkenfeld

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New York

Supply Chain, Business Transformation, and Consumer Sectors expert, co-leading BSR's work in Food, Beverage and Agriculture; leading collaborative work on sustainable sourcing of commodities.



Erin Demarest Seglem

Manager, Consumer Sectors

New York

Business Transformation, Climate, and Supply Chains expert, manages BSR work on implementing responsible supply chain strategy in healthcare, apparel, and FBA.

Thank You

BSR® is a sustainable business network and consultancy focused on creating a world in which all people can thrive on a healthy planet. With offices in Asia, Europe, and North America, BSR provides its 300+ member companies with insight, advice, and collaborative initiatives to help them see a changing world more clearly, create long-term value, and scale impact.

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Appendix: BSR's Supply Chain Sustainability Practice

BSR's Supply Chain and Value Chain Practice

Supply chains are about relationships. For 30+ years BSR has helped companies establish effective management systems, work collaboratively, provide necessary support and incentives to enable meaningful, sustainable change.

BSR Perspective

- **Key challenges/opportunities:** Supply chains are undergoing a fundamental transformation to meet the demands of a rapidly changing world, shaped by the speed of technological advancements, environmental shocks, and global geopolitical and trade disruptions.
- **BSR brings value by helping companies to:**
 - Improve sustainability performance and compliance through assessing and addressing supply chain impacts
 - Understand and anticipate issues and enable effective due diligence and innovative solutions via stakeholder and rightsholder engagement
 - Maintain supply chain sustainability progress as companies navigate geopolitical and trade developments and tensions
 - Build resilience and sustainability amidst evolving supply chain configurations, relationships and impacts
 - Partner for impact – human rights, living wage, challenging operating contexts, materials traceability
 - Invest in long-term supply security via emissions management and target setting/revision

How we work

Supply Chain and Value Chain Resilience

- **Program Governance and Management:** We support companies to establish and improve supply chain programs, including policies, processes, performance measurement, and reporting, aligned with regulation and best practice, amplifying the voice of suppliers and business partners, and integrating strategic foresight with futures.
- **Risk Management through Due Diligence:** Aligning environmental and human rights risk identification, mitigation and remedy with due diligence requirements and materiality, validated through stakeholder engagement.
- **Focus on Impact:** Identification of topics and locations where companies have significant individual and collective impact. Building relationships and practices to act on most pertinent areas in collaboration with suppliers, experts and civil society and informed by on-the-ground insights.
- **Supplier Engagement:** We work to catalyze improvements in social and environmental outcomes in company's supply chains by engaging suppliers with principles of shared responsibility, support and flexibility.
- **Upskilling and Training:** Training, working groups and coaching for supply chain practitioners, sustainability professionals and suppliers.

Strategic Partnerships and Collaborations

- **Best Practice and Collective Action:** BSR has extensive experience in advancing sustainability via convening companies, experts and stakeholders in collaborative forums that enable learning from best practice and advancing collective action

Focus Areas and Industries

We offer thought leadership, strategic advice, and opportunities to collaborate on the world's most important sustainability issues. **Below are some highlights of our work on Supply Chain Sustainability, across our focus areas.** BSR works with companies across industries: Food and Agriculture, Consumer Products, Energy and Extractives, Financial Services, Healthcare, Industrials and Utilities, Technology, Media and Entertainment, Transport and Logistics and Travel and Tourism.

BSR's Focus Areas



Climate & Nature

BSR helps companies strengthen climate and nature action in their supply chains by conducting climate risk, biodiversity, and nature assessments; developing scope 3 emissions reduction strategies (including e.g., [supporting climate innovation in raw materials](#), [supplier engagement](#)); and co-developing integrated [transition plans](#) that support nature-positive outcomes.



Inclusive Business

BSR offers strategic guidance to companies on building social impact and embedding inclusive business practices in their supply chain by building strategic approaches to diverse sourcing; engaging workers, communities, and other vulnerable stakeholders; [implementing social impact programs in upstream supply chains](#); and building and facilitating [collaborations to address the needs of marginalized and disenfranchised groups in supply chains](#).



Human Rights

We have decades of experience in directly engaging rightsholders, working with local partners, and engaging at various supply chain levels. We support companies on pervasive and emerging issues. Our proprietary tools and approaches enable supply chain mapping and assessment of risks/impacts and implementation roadmaps, remedies, trainings and [collaborative approaches](#).



Supply Chain Sustainability

BSR works with supply chain, sourcing, and procurement functions at any tier to develop holistic, sustainable sourcing approaches tailored to your value chain's specific contexts, challenges and opportunities.



Sustainability Management

BSR develops sustainability strategies that apply to the company's own operations and value chain, aligned with [stakeholder expectations](#) and sector-specific reporting/frameworks. We integrate [futures thinking](#) to understand implications of trends and emerging issues. We support integration via governance activities, including exec- and board-level engagement.

Disclaimer

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