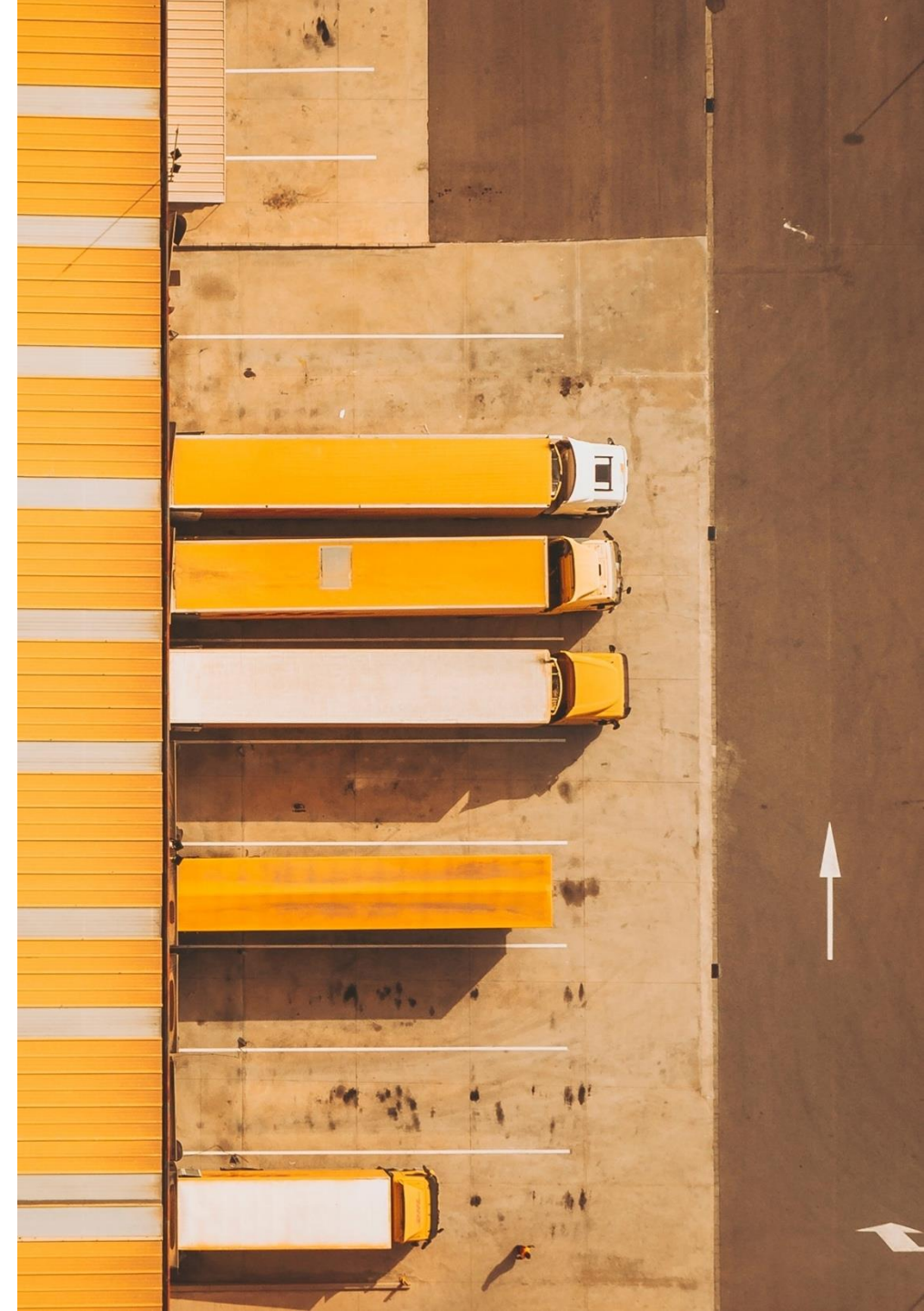

Introduction to BSR's Value Chain Leadership Ladder

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.

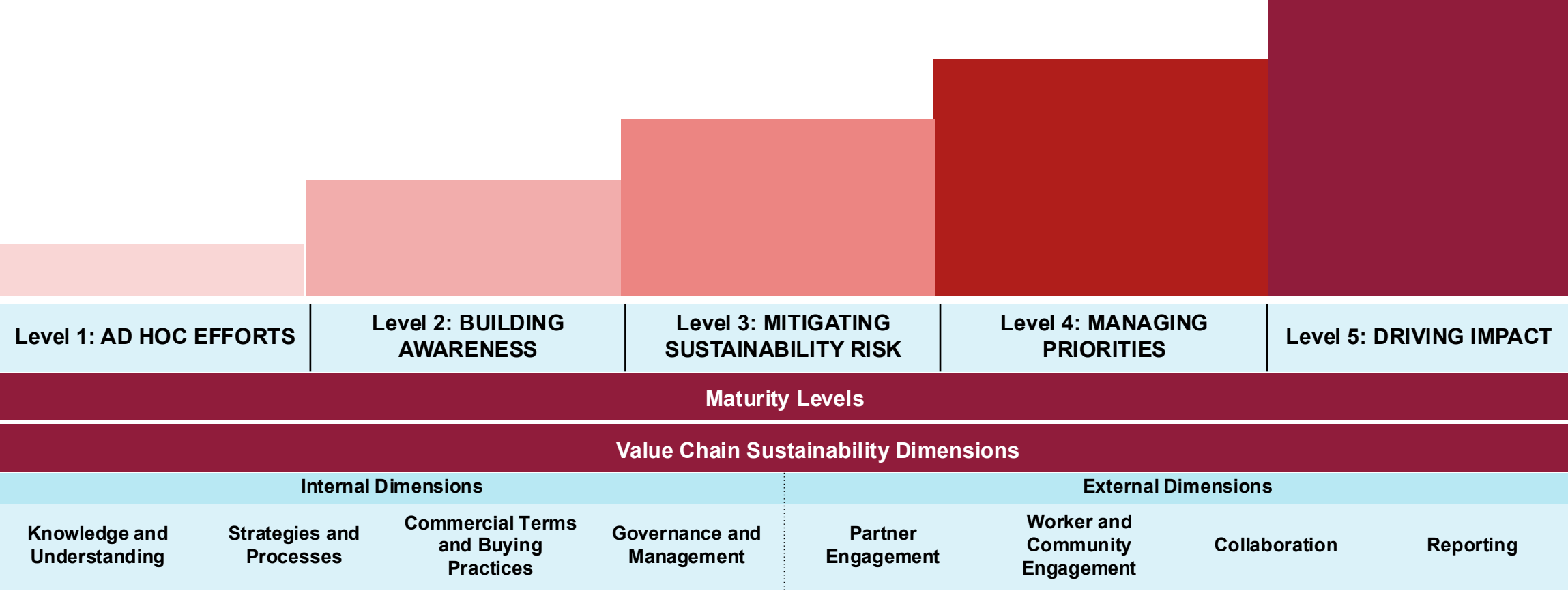
Multiple disruptive events have impacted the daily realities of supply chain management, making the need for sustainable action ever more urgent, but the context for decisions more complex.

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.



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 5-point maturity scale. The ladder also incorporates requirements of the global regulation and encourages responsible growth in collaboration with value chain partners.

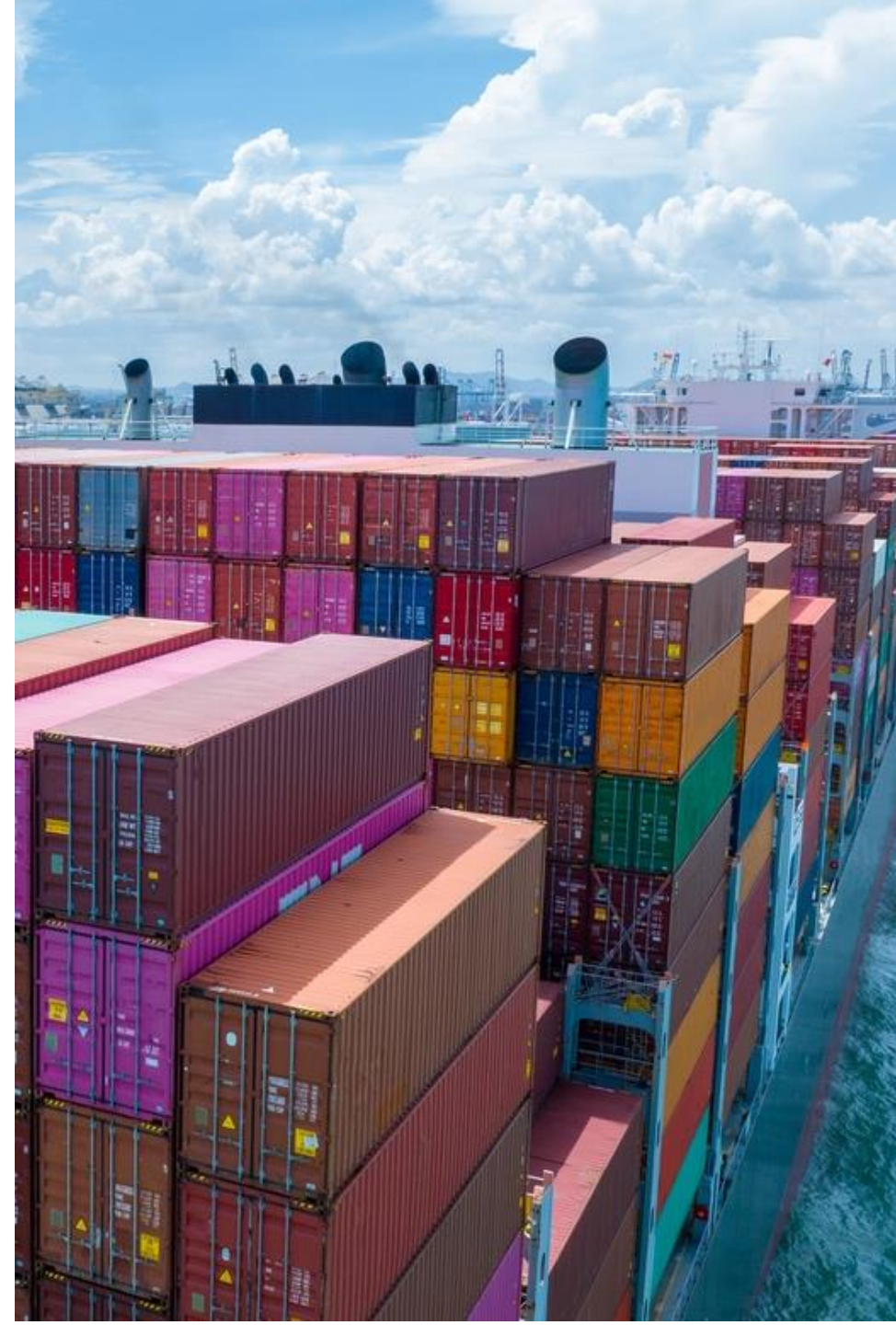


Value Chain Leadership Ladder Assessment

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

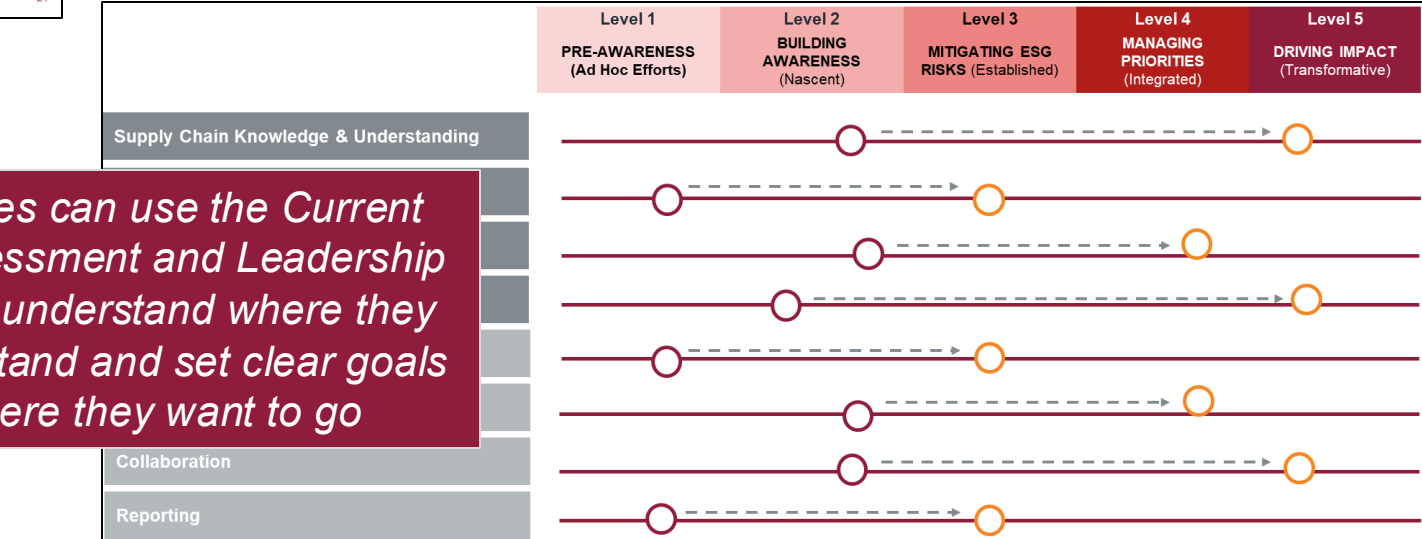
VCLL Maturity Curve Collaboration					EXTERNAL DIMENSIONS
To what extent do we collaborate to ensure aligned approaches to scale supplier, industry and community improvements?					
PRE-AWARENESS (Ad Hoc Efforts)	BUILDING AWARENESS (Nascent)	MITIGATING ESG RISKS (Established)	MANAGING PRIORITIES (Integrated)	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 produce measurable results.	<ul style="list-style-type: none">Participation in collaborative learning working groups without defined expectations of performanceCollaboration is reactive to enterprise risks (including	<ul style="list-style-type: none">Participation in collaborations is informed by the most material value chain issues or categoriesCompany 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">Engages affected stakeholders (suppliers, downstream partners, rightsholders) in the development of standards, frameworks and guidelines to mitigate value chain risksIs mindful of the implications on suppliers, and advocates for approaches that are efficient for both the buyer and supplier.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 collaborationCompany contributes funding to coordinated, collective investment on-the-ground, or with value chain players with less access to resources, to scale impact on key issuesCompany may take a leadership role in one or multiple of these initiatives, represented by or supported by company decision-makersCompany'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">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.Advocacy, including influencing or lobbying for relevant government policies, and advocacy to key external organizations / standardsCross-sector engagement, coordinating not just within industry, but also on a larger scale for more jurisdictional approaches (e.g., working with other industries sounding in shared regions; financial sector)	

VCLL Maturity Curve | Supply Chain Knowledge & Understanding

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

PRE-AWARENESS (Ad Hoc Efforts)	BUILDING AWARENESS (Nascent)	MITIGATING ESG RISKS (Established)
<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 by 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>Country 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. UNGPs, ISOs, OECD etc.)</p> <p>Tools may include risk assessment, self-assessment, validated desktop assessments, engagement with value chain stakeholders or their representatives (e.g. frontline 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/extraction-level for priority materials and customer/consumer use and disposal.</p>

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2. Benchmark against peer/leading companies

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

Main Insights

- Program Structure**
 - Formal risk assessment processes and criteria enable companies to identify and address key areas of concern.
 - Companies are often required to report on their progress.
- Governance & Management**
 - Leadership commitment is essential for success.
 - Suppliers are often required to meet specific standards.
- Supplier Engagement**
 - Leadership commitment is essential for success.
 - Suppliers are often required to meet specific standards.
- Collaboration & Reporting**
 - Leadership commitment is essential for success.
 - Suppliers are often required to meet specific standards.

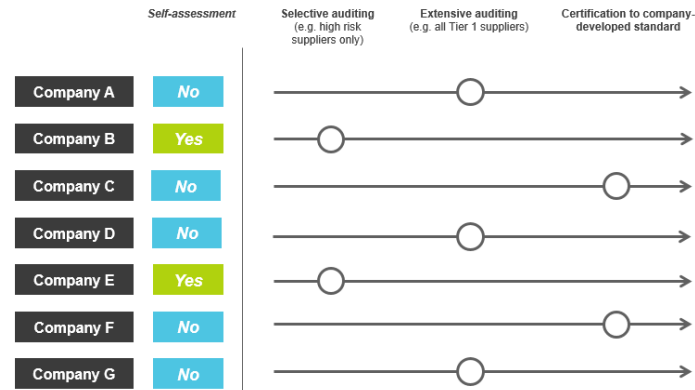
Peer Benchmarking Results

	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

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.



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

Company X: Supplier Engagement

Company can address key risks and support supplier improvement through clarifying expectations and XXXX.

Current	
Strengths	Opportunities
<ul style="list-style-type: none">• Long-term relationships with most Tier 1 suppliers• Key suppliers are proactive• Setting KPIs for programs such as XXXXX• Worker capability to improve factory performance	<ul style="list-style-type: none">• XXX could become more engaged in sustainability (e.g. XXXXX)• Audit quality and remediation program delivery could be more robust• Consequences of supplier non-compliance are unclear

3

Future	
What Company should aim for	How Company will get there
<ul style="list-style-type: none">• Supplier and xxxxx ownership of sustainability• Balance audit with supplier development• Develop differentiated approach to xxxxxxxx	<ul style="list-style-type: none">• Update supplier guidelines and communicate changes• Strategic use of high-quality capability building programs

"Quotation from internal stakeholder interview."

"Quotation from internal stakeholder interview."

"Quotation from internal stakeholder interview."

"Quotation from internal stakeholder interview."

Details by Dimension

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.

INTERNAL

Practices under direct control



EXTERNAL

*Supplier relationships
Industry influence*



Knowledge & 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 & 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 towards 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 & Buying Practices

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

Governance & 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?

Leadership Ladder Framework | Internal Dimensions – Defining Statements

Maturity	Value Chain Knowledge & Understanding	Strategies & Processes	Commercial Terms & Buying Practices	Governance & Management
Level 5: DRIVING IMPACT	<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.</p> <p>We engage and support our value chain partners in preventing and/or mitigating value chain risks.</p>	<p>Our Value Chain Strategy is developed collaboratively — bringing together value chain partners, cross-functional internal teams, and informed input from rights-holders and civil society. Sustainability is firmly embedded across our corporate, value chain, and procurement strategies and processes, ensuring alignment with both long-term business goals and shared societal outcomes.</p> <p>Our procurement function, in partnership with value chain actors, plays an active role in co-designing future-fit business models, enabling innovation and resilience across the entire value chain.</p>	<p>Our payment terms are exemplary. We practice transparent and open buying practices and regularly engage our suppliers and value chain partners to ensure we have good practices.</p> <p>Our commercial terms and buying practices explicitly reinforce, reward and assume joint responsibility towards our sustainability vision.</p>	<p>Our value chain governance is grounded in a philosophy of shared responsibility, fair process, and long-term partnership. We are committed to inclusive and transparent decision-making that strengthens mutual accountability and resilience across the value chain.</p> <p>We employ diverse governance structures and engagement methods to ensure that the voices of suppliers, value chain partners, and stakeholders—especially those most affected—are meaningfully included and considered in shaping our strategies and actions.</p>
Level 4: MANAGING PRIORITIES	<p>We evaluate the risks and opportunities in our value chain from a business as well as societal 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>Our value chain sustainability strategy is robust and grounded in supply chain excellence, serving as both a driver of and contributor to our company's broader strategic goals. It is closely aligned with—and actively informs—our corporate strategy and procurement priorities, with full integration between supply chain objectives and enterprise-wide sustainability ambitions, ensuring mutual reinforcement and consistency across all levels of execution.</p>	<p>Our commercial terms are fair and take some steps to reward suppliers that invest in sustainability. Our suppliers consider us to be a fair business partner.</p>	<p>The governance of our supplier sustainability program is anchored at the highest level of the organization, with executive sign-off and annual program performance directly contributing to both corporate sustainability metrics and the individual performance goals of all procurement staff.</p> <p>Sustainability is fully embedded into procurement responsibilities, with the same level of accountability and ownership as core criteria such as cost, quality, and safety, reinforcing its role as a non-negotiable priority across sourcing and supplier management.</p>
Level 3: MITIGATING SUSTAINABILITY RISK	<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>Sustainability is partly integrated into our procurement strategies. We are tracking performance of our suppliers in accordance with our Code of Conduct, which is based on our understanding of material sustainability risks in our supply chain.</p>	<p>Our awareness that our commercial terms and buying practices have some impact on the performance of our suppliers is reflected in our policies. We take some action, like basic training, to raise awareness among buying team around key sustainability issues and the impacts of their buying practices.</p>	<p>We have designated responsibility in all relevant teams (procurement, compliance, sustainability) to reinforce and operationalize our supply chain sustainability expectations.</p> <p>Our Governance system ensures that relevant colleagues have responsibility across the full supplier lifecycle, with an escalation hierarchy to guide decision making. and follow up.</p>
Level 2: BUILDING AWARENESS	<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>Supply Chain Sustainability is a new topic for our company. We adhere to relevant legislation and have set minimum requirements towards our suppliers. Beyond this, sustainability is not integrated into our procurement and category strategies, nor processes.</p>	<p>We have some awareness that our buying practices have some impact on the performance of our suppliers.</p>	<p>Our minimum expectations for suppliers are understood within some supply chain and procurement-related groups and functions in our company.</p>
Level 1: AD HOC EFFORTS	<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 do not have a sustainable supply chain strategy but are eager to learn from other companies and see what we can apply and where.</p>	<p>We do not yet have awareness on how our commercial terms and buying practices can impact supplier performance.</p>	<p>There is some awareness internally on the statements and policies that we have which reference supply chain (e.g., on Modern Slavery, or deforestation). However, implications for our suppliers or how we can work with them towards such goals is not integrated into how we govern and manage our supply chain function and strategy.</p>

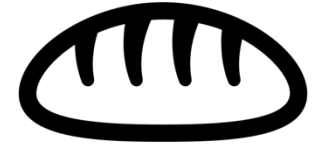
Leadership Ladder Framework External Dimensions – Defining Statements				
Maturity	Business Partner Engagement	Value Chain Worker & Community Engagement	Collaboration	Reporting
Level 5: DRIVING IMPACT	Our business partner engagement approach is characterized by co-creation, defining shared goals and assuming shared responsibility and reflects our vision of the value chain as a force for business success and positive social and environmental impact. We recognize our business partners as a valuable source of innovation, and we partner with them to create the impact we collectively seek.	Worker engagement and empowerment is core to us, and our value chain partners, as reflected by: ensuring worker representation in our business decision making; our leadership in taking responsibility for protecting workers' rights across the full value chain; and, importantly, ensuring access to remedy. We also work to engage with and maintain relationships with communities impacted by our value chain activities--allowing opportunities for two-way communication with frontline communities and providing opportunities to raise grievances and get access to remedy.	We engage in multi-stakeholder initiatives, which are more likely to achieve necessary buy-in and effective impact. We advocate that these initiatives encourage diverse perspectives, deeply engage value chain players, and consider the role of advocacy/ government.	Our value chain is transparent to the highest upstream and furthest downstream tiers. We report on outcomes, progress, and future plans, with challenges laid out, the vision and strategies to be undertaken, and associated KPIs. We are continuously looking for better ways to capture impact of our value chain and our sustainability program.
Level 4: MANAGING PRIORITIES	We invite our business partners to participate and engage in our sustainability vision and positively consider partners' own sustainability priorities, goals and ideas for solutions. We aim to work with business partners that engage their own value chains on sustainability.	We invest in, and/or prioritize working with value chain partners that invest in fair and safe working conditions and create opportunities for skill development that enable career growth. We aim to engage with our value chain partners both upstream and downstream to ensure that they are reflecting those priorities within their operations. We also aim to understand how our value chain activities impact surrounding communities and work to mitigate significant impacts that infringe on human rights within those communities. Inclusion (e.g. gender, indigenous populations, persons with disabilities, and other underrepresented groups) may be a particular focus as relevant.	We prioritize participation in collaborations that are coordinating actions to make and scale fundamental changes to improve sustainability outcomes in value chains.	We report on the most material issues in our value chain, and the data associated with these relevant issues. In addition to regulatory requirements, we are reporting on voluntary industry fora, outcomes-based indicators, and positive impacts.
Level 3: MITIGATING SUSTAINABILITY RISK	Our approach to supplier engagement reflects a holistic view of social and environmental issues, and we provide capability building to support suppliers in mitigating sustainability risk. Where downstream sustainability issues are deemed material/salient for our business and value chain, we include downstream business partners as well as suppliers in our sustainability efforts.	Our value chain engagement processes work to understand risks and impacts tied to our value chain activities. Where there are significant risks impacting communities and/or workers, we engage value chain partners to monitor and assess risks and conduct related mitigation activities. Standard processes for capturing grievances are implemented and easily accessible to workers.	We understand collaboration requires give and take, commitments and participation. We actively engage in the collaborative initiatives that we participate in, adopt collaborative risk mitigation processes internally, and help hold others to account.	We report on the most material issues in our value chain qualitatively. We provide an overview of our value chain and report on process-based indicators, outcomes-based indicators where required by regulation, and key issues encountered at an aggregate level.
Level 2: BUILDING AWARENESS	Our suppliers understand our standards and expectations and provide us with basic information on key sustainability issues as relevant or where required by law.	We have clear expectations for our Tier 1 suppliers that are reflected in our standards and policies. These expectations reflect ILO core principles, relevant labor laws, and other industry practices that speak to the rights and needs of supply chain workers. We also provide access to grievance mechanisms for our workers and ask our value chain partners to do the same.	We understand we need to collaborate and learn from and with others.	We provide a high-level overview of our value chain and the sustainability activities in our chain.
Level 1: AD HOC EFFORTS	Our suppliers may have received high-level statements from us on sustainability and provide us with basic information (mainly related to legal compliance).	We have a basic understanding of human rights risks within our key supply chains and periodically engage with suppliers on documented impacts.	We ensure baseline alignment with existing global standards / norms, but otherwise are not participating in collaborations	We do not have a consistent approach to reporting on value chain sustainability. Our policies are in the public domain.

Case Studies

Food // Building Out Responsible Sourcing

The Challenge

This major fast casual restaurant wanted to leverage its achievements as an early and ambitious leader on select sustainability topics to develop a more comprehensive responsible sourcing program. BSR helped the team identify priority ingredient categories and set ambition.



Our Strategy



- Engaged key internal stakeholders from procurement, CSR, and public relations to understand sourcing strategy and ambition.
- Assessed the company's current efforts using our Supply Chain Leadership Ladder model alongside three industry peers.
- Analyzed the current state of play in potential priority categories to identify the opportunities where leadership initiatives could deliver guest value and inspire peer action.

Our Impact



- The company has a better understanding of its risks and leverage related to deforestation.
- The company is able to establish a set of goals that are ambitious but achievable, reflect the reality of its current supply chain, and address expectations of key stakeholders.
- The procurement teams for each commodity have a tailored view of relevant risks and companion action plans.

Lesson Learned

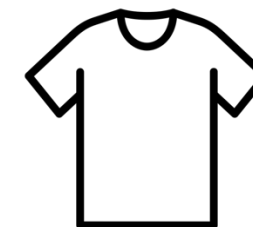


- Mapping and segmenting priority issues and categories in a complex supply chain helps to build internal alignment and enables companies to set a clear responsible sourcing strategy, including identification of leadership opportunities.
- Companies with experience managing specific supply chain sustainability issues can leverage these valuable organizational competencies to support implementation of a more formal responsible sourcing program.

Global Lifestyle Brand // Social Compliance and Worker Well-Being

The Challenge

The consumer products industry continues to be pressed by consumer expectations, resource constraints, and their commitments to society and the environment. The company sought to assess their existing social compliance program against the BSR Supply Chain Leadership Ladder (SCLL), industry peers and leaders, and the overall landscape to evaluate the level of program maturity and identify possible opportunities to improve supply chain worker well-being. At the time of the assessment, the company was already at the outset of implementing a refreshed organization-wide CSR strategy including new public commitments to worker well-being and an updated supplier engagement strategy.



Our Strategy



- Conducted desk research and peer interviews to benchmark 5 companies against BSR's SCLL, with special emphasis on criteria and nuance related to social compliance and worker well-being.
- Consulted internal experts across relevant teams and reviewed documentation to provide a maturity assessment of the company against BSR's SCLL.
- Developed recommendations based on assessment and opportunities identified.

Our Impact



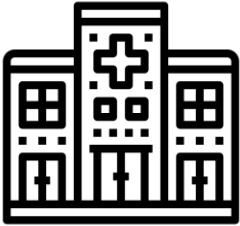
- Helped company surface critical dependencies and enablers that existed across teams, by assessing against the full SCLL versus focusing only on social compliance activities and criteria.
- Identified a time-sensitive opportunity to integrate key aspects of an improved approach directly into a new information system, with potential to lead to greater partnership across teams and stronger links between procurement practices, supplier engagement, and worker well-being outcomes.

Lesson Learned



- Assessing social compliance without a full view of the broader supply chain strategy would have given an incomplete picture and fail to identify internal cross-functional opportunities / alignment needed to best implement worker well-being strategies.
- Benchmarking a sample of peers that demonstrate leadership but also reflect the size and capabilities of the company is key to providing a strong set of ambitious but realistic models to pursue.
- Testing stated ambition versus current state, versus new investments, help to highlight the need to measure impacts of efforts to ensure alignment.

Healthcare Company // Sustainable Sourcing Program Implementation



The Challenge

Implement a practical and impact-oriented approach to sustainable procurement through the adoption of new policies and tools. BSR was tasked to assist with the policy development, implementation roadmap, and creation of a suite of tools.

Our Strategy



- BSR developed a new Responsible Sourcing Standard, informed by a benchmark of 8 peer companies.
- Provided a maturity assessment of the company's supply chain program using BSR's Supply Chain Leadership Ladder.
- Developed an Implementation Roadmap and suite of tools geared towards the procurement team and the company's suppliers.

Our Impact



- Built an enhanced approach to sustainable procurement aligned with the company's sustainability strategy.
- Delivered practical insights on the current state of play and opportunities to embed sustainability into the company's existing vendor management processes.
- Enhanced partnerships with suppliers to support the company's business and sustainability goals.

Lesson Learned



- The development of tools is useful but should be accompanied by training of staff to ensure they are able to use them effectively.
- Raising awareness internally and getting buy-in is foundational to the success of a company-wide implementation project.
- Developing a concrete public facing policy helps to drive internal and external engagement.

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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