



Ministry of Foreign Affairs



Responsible procurement and supplier engagement for social sustainability

Moving away from traditional risk shifting towards a shared responsibility approach

Practical lessons learned from the Fund against Child Labour (FBK), Fund for Responsible Business (FVO), and Subsidy for Responsible Business (SPVO).

*>> Sustainable. Agricultural.
Innovative. International.*

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Introduction

The Netherlands has a proactive approach towards responsible business conduct in international trade. The UN Guiding Principles and the OECD Guidelines are leading frameworks for this. The Netherlands Enterprise Agency (RVO) manages different subsidy programmes on behalf of the Ministry of Foreign Affairs to support Dutch businesses in incorporating human rights, environmental responsibility, and fair labour practices into their international activities.

Over the past eight years, RVO has managed the Fund Against Child Labour (FBK), the Fund for Responsible Business (FVO), and the currently active Subsidy Programme for Responsible Business (SPVO). Through these programmes, over 128 projects have been supported in diverse sectors and countries. These projects aimed at effectively addressing child labour, working towards living wages and living (farm) incomes, and improving labour circumstances in factories and on farms. The insights obtained from these projects are invaluable for other companies.

One of the key lessons learned over the years is the importance of responsible procurement and supplier engagement. Well-intended sustainability projects can be undermined by procurement practices that shift the risks onto the supplier. It is increasingly recognized that through responsible procurement practices, companies can have a long-lasting, positive impact on wages, labour conditions, and the elimination of child labour in their value chains.

Although there is guidance on responsible procurement available, it is scattered across various sources, and practical tips and real-life examples are harder to come by. Therefore, this practical guide on responsible procurement practices has been developed with invaluable input from many leading companies.

About this paper

This practical guidance is part of the Knowledge and Learning Agenda, which aims to share insights from our projects with Dutch companies and their international counterparts. A series of guiding documents has been developed^{1,2}.

This paper provides an overview of developments, research papers, and initiatives related to responsible procurement. It outlines the key principles that guide such responsible procurement and draws on best practices from companies already engaged in this field. By highlighting their experiences, we offer insights into how responsible procurement can be effectively implemented in practice.

We have made efforts to compile a comprehensive overview of various initiatives and relevant information. However, this is a rapidly evolving field with ongoing developments. While this paper is not exhaustive, it lays a solid foundation and provides valuable guidance for companies looking to adopt responsible procurement practices.

Contact us

Is your company interested and motivated to take the next steps in responsible business conduct? Please take a look at our website www.rvo.nl/spvo to find out about the funding opportunities to address social sustainability in your global supply chain.

Reading guide

This practical guide explores the topics of responsible procurement, buyer-supplier cooperation, investing in your supplier, and multistakeholder cooperation. Various case studies bring the theory to life. The icons help you identify the case studies that are most relevant to your business.



Agro-food industry



Textile industry



Electronics/metal industry



Mining industry



Supporting organisation

¹ [Fund against child labour \(FBK\) - Child Labour Interventions](#)

² rvo.nl/sites/default/files/2020/06/70702_RVO_FBK_MK910-WCAG-TG.pdf

1. Responsible procurement and due diligence

Sustainability due diligence is a process introduced by the OECD in which companies actively identify, address, and mitigate negative social and environmental impacts in their value chains. Increasingly this concept is embedded in national and European legislation, such as the Corporate Sustainability Due Diligence Directive, the Deforestation Regulation and the Forced labour Regulation. The procurement department plays a key role in due diligence. This section elaborates on the role of procurement in due diligence and the importance of responsible procurement practices.

1.1 Procurement in due diligence

In 2011, the OECD introduced its due diligence guidance for responsible business conduct. Through a six-step process, as depicted in Figure 1, companies are encouraged to implement procedures and practices to identify and mitigate risks within their value chain. Since due diligence directly impacts supplier relations, the procurement department plays a pivotal role in the process. Buyers are expected to consider social and environmental factors alongside price and quality, ensuring that sustainability risks are adequately identified and addressed. Moreover, by integrating these considerations early in supplier selection and contract negotiations, procurement professionals help set the foundation for long-term, sustainable practices across the supply chain.

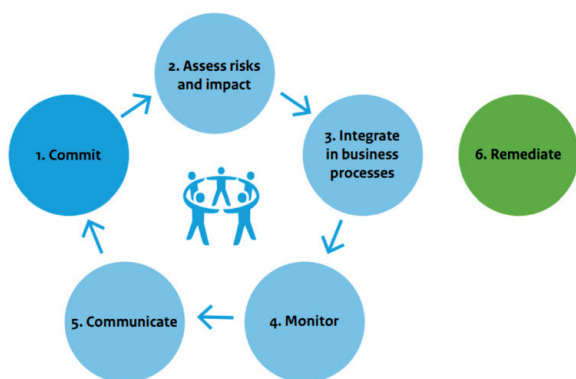


Figure 1: Due diligence process according to the OECD guidance for responsible business conduct

1.2 Procurement matters

It is increasingly recognized that procurement practices implemented by downstream companies can have a serious impact on the practices upstream and can lead to human rights issues, such as child labour, underpayment, and poor working conditions.

Think for instance about the following examples:

- A clothing company changes its order last minute, doubling the number of t-shirts. The clothing factory needs to work with

subcontractors to meet the demand. However, these subcontractors may not follow the same labour standards or environmental practices as the original factory, leading to potential sustainability risks such as poor working conditions, unfair wages, and even child labour.

- A coffee roaster pays for the green coffee six months after receiving it, putting the coffee cooperative and smallholder farmers in a difficult financial situation. This delayed payment can lead to cash flow problems, forcing farmers to take out high-interest loans or accept lower prices for their coffee. In the worst cases, it can contribute to poverty, child labour, and poor working conditions as families struggle to make ends meet.
- An electronics company asks for pricing information from different suppliers and then uses this to pressure other suppliers into lowering their prices even further. This forces suppliers to cut costs, often at the expense of workers' wages and safety. As a result, workers may face below-living wages, unsafe working conditions, and longer hours.
- International brands cancel orders due to the COVID-19 pandemic, leaving factories without work and forcing them to either shut down or fire their workforce. This results in workers losing their livelihoods, often without compensation.

Responsible procurement

Responsible procurement ensures ethical practices, addresses social and environmental risks, and commits to long-term collaboration with suppliers for mutual growth and impact. Key elements are:

- **Fair Pricing** – There is a commitment to paying prices that enable producers to earn a living income and workers to receive a living wage.
- **Timely Payment** – There is a commitment to ensuring suppliers are paid on time.
- **Long-Term Supplier Relationships** – There is a focus on building long-term relationships with strategic suppliers based on trust and cooperation.
- **Contractual Integrity** – There is an emphasis on maintaining contracts without modification during execution, ensuring mutual agreement and adherence to agreements for transparency and trust.
- **Collaborative Business Partnerships** – There is a dedication to acting as a responsible business partner through open communication and a mutual commitment to sustainability, where all parties uphold their responsibilities.
- **Continuous Improvement** – There is a shared effort to continuously improve sustainability practices within the supply chain, with disengagement being a last resort.



1.3 Benefits of responsible procurement

Procurement practices have an impact on social sustainability issues upstream. Increasingly the importance of integrating responsible procurement is recognized. Responsible procurement is the process of acquiring goods and services in a way that ensures accountability, transparency, ethical conduct, and respect for human rights while integrating sustainability and risk management into decision-making. Implementing responsible procurement practices like the ones described in this practical guide has various benefits.

The benefits of implementing responsible procurement practices are:

- **Stronger supplier relations**
 - Responsible procurement builds trust and cooperation, leading to long-term, reliable partnerships. These partnerships offer flexibility, stability, and collaboration during challenges while providing suppliers with sales security and accompanying investment opportunities.
- **Security of supply**
 - Strong relationships with suppliers reduce supply chain disruptions by fostering trust and collaboration. In times of scarcity, suppliers are more likely to prioritize trusted partners, ensuring a more secure and flexible supply.
- **Access to finance**
 - Embedding responsible procurement may open doors to Environment, Social, Governance (ESG) focused investors, hence improving the access to finance.
- **Business innovation**
 - Strong relationships with suppliers enhance the possibilities for innovation such as the development of new products, quality improvements, cost reduction investments, and new business models.
- **Differentiation and brand reputation**
 - There is an opportunity to differentiate yourself from competitors by working on responsible procurement. At the same time, responsible procurement can enhance trust with consumers and other stakeholders.
- **Employee engagement and retention**
 - On the buyer side, a strong policy on responsible procurement, as an integral part of a clear vision of responsible business conduct, helps to attract new employees. New generations are more interested in sustainability and want to work for companies with a clear vision of responsible business conduct. At the same time, there are opportunities to retain current employees if they feel proud to work at a company working on responsible business conduct
- **Legal compliance**
 - In many countries a form of due diligence legislation is already present or under development. Investing in responsible procurement practices helps anticipate legal requirements.



“We are now in the privileged position of not having to search for new suppliers—they find us. More and more cooperatives and estates know who we are and how we want to do business. Many suppliers are eager to work with us because they know that we are a serious player, committed to our suppliers and to delivering a high-quality product”.

- Maarten van Keulen, planning & relationships at This Side Up.
This Side Up is a fully transparent coffee-importing company that unites a worldwide community of coffee producers.



“We notice in our own company in the Netherlands that the new generation is eager to work with us, especially because we have a positive impact agenda. We like to hire people who want to make a positive contribution. For us, it’s more important that a candidate aligns with our mission than that they have the perfect educational background or experience”.

- Niels van den Beucken, CEO at Arte Groep.
Arte is a Dutch company that produces high-quality, sustainably, and fair-produced natural stone worktops.



“Few companies have embraced responsible procurement practices so far, which is unsurprising given their commercial nature. Businesses exist not to give money away but to generate profits, invest, expand into new markets, and outperform competitors. It is unusual for a buyer to ask themselves, “How much do I need to pay for a raw material to ensure farmers earn a living income?” However, some pioneers, such as Tony’s Chocolonely, Ben & Jerry’s, and Nestlé, take a different approach. They lead by example, actively supporting farming communities and promoting education for children, and at the same time providing higher revenue to farmers. Others are also making progress and recognizing the benefits, though some hesitate to share their efforts for fear of criticism from campaigning NGOs.”

- Mark Birch, Program Director - sustainable procurement at IDH.
IDH is an international organisation that brings together public and private stakeholders to make global agricultural markets more sustainable and inclusive.

Legal compliance

In recent years, parts of the OECD due diligence framework have been integrated into formal legislation at both the national and EU level. We refer you to the [MVO Steunpunt](#) for the latest insights.

Name	Key features
Corporate Sustainability Due Diligence Directive (CSDDD)	CSDDD obliges large companies to identify and address human rights risks and environmental impacts in their value chains.
European Deforestation Regulation (EUDR)	The EUDR prohibits companies from placing products linked to deforestation or illegal practices on the EU market or exporting them.
Forced Labour Regulation	The Regulation prohibits the sale or export of products made with forced labour, including child labour, within the EU.
Corporate Sustainability Reporting Directive (CSRD)	CSRD obliges large companies to transparently report on sustainability information in their annual reports. Responsible business conduct and due diligence are part of the reporting obligations.



1.4 Stakeholder engagement for responsible procurement

Procurement plays an important role in addressing social and environmental challenges, but procurement cannot do this in isolation. Responsible procurement needs internal and external stakeholder engagement. Internally, for example, the sustainability department can provide key insights into risks associated with specific countries, ingredients, or products. The finance department may highlight issues such as late payments that may harm suppliers, while the legal department can advise on integrating sustainability into contracts. At the same time, different departments within a company may have conflicting targets, making internal alignment crucial.

Beyond internal collaboration, external stakeholders can also support responsible procurement. Suppliers, for instance, often have in-depth knowledge of potential risks in the value chain and can suggest practical solutions. Engaging in dialogue with suppliers is therefore essential. Additionally, external organisations such as NGOs and multi-stakeholder initiatives can provide valuable insights into risk mitigation and best practices in responsible procurement, offering guidance on effective implementation.



Reading tips:

- For more information about the Regulations and Directives that include a component of due diligence, visit the MVO-Steunpunt via their online portal: [Het MVO-steunpunt | RVO.nl](#)
- For more information on the OECD Due Diligence Guidelines visit the website: [OECD Due Diligence Guidance for Responsible Business Conduct](#)



Summary

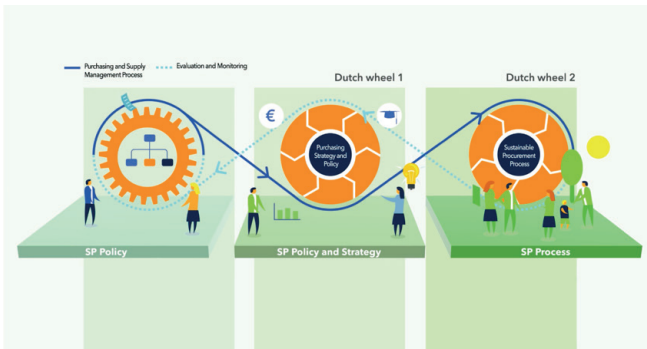
This chapter has demonstrated how responsible procurement plays a vital role in the due diligence process. Procurement practices can have a significant impact on upstream operations—both negatively and positively. The next chapter will focus on the implementation of responsible procurement practices.

2. Implementing responsible procurement practices

How can companies address social sustainability risks in their value chain? Responsible procurement practices are crucial. This chapter provides practical tips for empowering your procurement team to tackle sustainability risks and drive positive impact.

2.1 Establish the preconditions for responsible procurement

In 2017, the ISO 20400 standard on responsible procurement was launched. The concept of the Dutch wheels (see figure) forms the foundation for both the ISO 20400 standard and the Dutch NEN 4400-1 standard. The Dutch wheels illustrate how a company's overarching vision of responsible business conduct, its procurement policies, and procurement practices reinforce one another. There must be a clear, overarching company ambition and policy, which then translates into clear procurement policies. Procurement staff need clear, non-conflicting guidance for responsible procurement, along with a clear mandate. Lessons learned from procurement practices must also be fed back into the company's overarching policies.



Source: [Nevi, 2024](#)



“The relationship between our company and the mine owners is of fundamental importance. That is why our company's leadership is in touch with the owners of the mines, via frequent visits and regular contact. Many of those relations go way back. We are aware that at the end of the day, it is people doing business with people. That also means we need to be the best employer we can, so we keep our staff happy and they can in return build those long-lasting relations with both our suppliers as well as our customers”.

- Kristof Tjoen, product & marketing director at Stone.
Stone is a Belgium company that supplies natural stone, terrazzo, and ceramic since 1923



“Nevi is the knowledge network for procurement professionals. We offer knowledge, expertise and education in the areas of procurement, contract, and supply management. Amongst other activities, we offer courses on responsible procurement based on the relevant ISO standards, CSRD and other legislation and procurement models and insights. Procurement is able to add value to the organization and to society. The Dutch wheels are an important reference for our work on responsible procurement. The Dutch wheels reflect that the procurement department can't do it alone but needs a clear vision and mandate from the leadership of the company”.

- Marlijn Caspers, manager social programmes at Nevi.
Nevi is the leading association for professionals in procurement, contract, and supply management.



“The procurement teams are very aware of our mission. And of course, they are all very mission-driven, but procurement teams are also necessarily cost-driven. There is definitely a balancing act there. We are now in the process of developing a guide for buyers for the procurement team with different social and environmental questions that will help them in their procurement decisions”.

- Julie McBride, senior sourcing specialist at Tony Chocolonely.
Tony Chocolonely is an impact company that sells chocolate.

Checklist of the fundamental preconditions for responsible procurement:

- There is a clear and concrete top-level commitment to responsible business conduct.
- There is a clear procedure for identifying and addressing social and environmental sustainability risks in the company's value chains.
- The top-level leadership understands that the procurement department plays a key role in addressing social and environmental risks.
- Internal and external stakeholders are involved in the company's policies and procedures on responsible business conduct.

2.2 Develop responsible procurement policies

The company’s overarching vision of and commitment to responsible business conduct must translate into a responsible procurement policy, with clear guidance, objectives, and KPIs.

2.2.1. A clear procurement policy

Guidance on responsible procurement is often risk-focused, and sometimes also impact-focused. The procurement department should receive clear guidance on its role in identifying, discussing, and mitigating sustainability risks with suppliers. Procurement professionals need to know what to ask suppliers, what to check from the suppliers, how the companies want to co-invest in addressing problems, and also what reasons can be for ending the relationship with the supplier.

Very practically, suppliers may be required to sign a code of conduct, demonstrate membership in organisations that facilitate the sharing of ethical data between businesses and their suppliers (e.g., SEDEX, Amfori, or EcoVadis), or source materials that carry recognized sustainability certifications. Additionally, procurement professionals should be empowered to discuss and initiate joint specific improvement projects with suppliers, such as projects focused on paying living wages or improving working conditions.

2.2.2. Well-defined roles and responsibilities

Responsible procurement is not solely the task of the procurement professionals. Also, the legal, sales, sustainability, and quality teams often play a role. The roles and responsibilities must be clearly defined and set as smart as possible. The table below shows good and bad examples of how roles and responsibilities can be defined.

Not clear:	Clear:
The procurement department checks with suppliers that no child labour is used.	<ul style="list-style-type: none"> The procurement department sends the supplier survey that is developed by the sustainability department to the supplier. The results are discussed with the sustainability department. The sustainability expert and procurement department prepare the conversation with the supplier based on the survey outcomes and seek to work towards meaningful strategies to eliminate child labour.
The procurement team adds accurate proof of sustainable practices to the supplier’s dossier.	<ul style="list-style-type: none"> The procurement team asks the supplier for accurate written proof addressing specific sustainability topics. Accurate proof can be, but is not limited to, documented proof of certification, audit reports, or a report of a company visit. More importantly, during regular supplier visits by the leadership of the company the joint social agenda is discussed and aligned.
The sustainability team is responsible for the sustainability risk assessment.	<ul style="list-style-type: none"> The sustainability team checks with the procurement team about commodities, origins, and suppliers. The sustainability team makes a first risk assessment. The sustainability and procurement team discuss the risk assessment. The results are discussed and adjusted with suppliers and other relevant stakeholders.

Notification:

It can be tempting to translate the responsible procurement commitment into ‘tick the box lists’, such as: Do we have a signed two-way code of conduct? Is the product certified under one of our approved certification systems? Does the supplier guarantee that ‘no child labour is used’?

Unfortunately, reality is often more complicated. When suppliers work on addressing child labour, they might find more cases of child labour instead of less. Certification systems might not fully address all concerns, such as living income or living wages. The code of conduct has little meaning if no in-depth conversations have been held with the supplier about the meaning of the different elements in it. Therefore, it is key that procurement, sustainability, quality, and other experts, ask critical questions and invest in understanding the (often complex) reality behind the labels and documents.

2.2.3. Procedures for internal alignment

Internal alignment is key for implementing responsible procurement practices and meeting due diligence requirements. Targets and objectives of different parts of the company must head in the same, shared direction. Below are several tips and tricks for internal alignment. The examples also show how little modifications in the way of working, can make a substantial change.

Tips & tricks for internal alignment

- **Align priorities and goals**
 - Translate responsible procurement into concrete KPIs for different departments and make those KPIs a recurring item on the agenda. See the next section for examples.
- **Schedule regular check-ins**
 - Hold informal weekly or monthly updates between different departments for small teams. Larger companies benefit from structured monthly or quarterly meetings to track progress.
- **Align on customer demands**
 - Regularly discuss client demands versus supplier capabilities. Clear communication helps set realistic expectations.
- **Share insights regularly**
 - Use a group chat, shared document, or internal newsletter to keep sustainability insights from NGOs, suppliers, news articles or others accessible. Leverage existing communication tools to avoid extra workload.
- **Share grievances or complaints from stakeholders**
 - For example, share the grievances received via the grievance mechanism to ensure awareness in the company.
- **Address stakeholder concerns transparently**
 - Share how stakeholder concerns are addressed within the organisation.



“Our buyer, product development team, and impact manager work very closely together. They all frequently travel to our suppliers and invest in long-term relations with them. The product development team makes all agreements on for instance prices and the products in the new collection. When this puzzle is made, this information is handed over to the procurement professional who organizes all practicalities. The impact manager is involved when for instance new materials are being used in a new collection and the social or environmental impact needs to be further assessed. We are also trying to become better at predicting how much we will sell, in order not to produce too much. We try to learn about the cost price of our suppliers, when we notice that a product becomes too expensive to sell to our clients, we look for alternatives, for instance, a different gemstone, to arrive at a product that can be sold”.

*- Jolanda Doolaard, head of product at A Beautiful Story.
A Beautiful Story is a Dutch brand of ethical jewellery.*



“Within each department, people have explicit responsibilities for responsible business conduct. The two sustainability professionals cannot do that on their own. In our company, everyone is on the same page and is committed to working together towards the shared goal of fair and responsible textile. Procurement and sales work very closely together in this. If we for instance want to guarantee a living wage in our value chain, we need the sales department to explain to our customers why this is so important. We need our customers to cover part of the costs. Alignment between procurement and sales is therefore essential”.

*- Jeske van Korven, corporate social responsibility at Schijvens.
Schijvens is a manufacturer and distributor of corporate clothing products.*



“We made the risk assessment together with people from sales, public policy, operations, and sustainability. It is a collective project that helps bring everyone onto the same page. It brings the different perspectives together and helps us agree on the weights and prioritization we should attach to different risks”.

*- Julie McBride, senior sourcing specialist at Tony Choclonely.
Tony Choclonely is an impact company that sells chocolate.*

2.2.4. Clear KPIs

Clear key performance indicators (KPIs) help measure whether responsible procurement practices are being implemented within the company. Targets set the desired level of ambition, while KPIs track progress toward meeting these targets. KPIs should be specific, measurable, and concrete.

Examples of KPIs for responsible procurement

- **Documentation**
 - The percentage of signed (two-way) codes of conduct.
 - The number of suppliers engaged in a two-way code of conduct.
 - The percentage of suppliers that filled out the supplier survey which includes a section about sustainability.
 - The number of complete supplier dossiers, which means that there is a description of the due diligence/sustainability policy of the supplier, proof of certification, or social audits.
- **Risk monitoring**
 - The number of suppliers included in a joint risk assessment.
 - The number of incoming signals via the grievance mechanism.
 - The percentage of sustainability-related complaints that have been resolved in an adequate and timely manner.
 - The percentage of suppliers with corrective action plans in place following a social audit or identified risks.
- **Supplier engagement**
 - The percentage of suppliers with whom supplier dialogues about sustainability have taken place in the past two years.
 - The number of suppliers involved in a concrete sustainability project impacting workers or communities in the production area.
 - The number of partnerships with NGOs, trade unions, or industry initiatives together with suppliers to improve sustainability practices.
 - The investment in euros in better technologies, information systems, or projects that support upstream actors.

This list of KPIs is not exhaustive and there is no ‘one size fits all’ list. Therefore we recommend you to choose the KPIs that make sense in your context.



“KPIs help us to make decisions. To weigh different trade-offs. We have very specific KPIs. For instance, for fair materials. We say that 50% of the materials in our newly launched devices must be fair, which translates into recycled or a fair mined source. We want to reduce our overall CO2 emissions. Also, for longevity, we have KPIs. This helps us in negotiations. For instance, if procurement wants to work with an aluminium supplier that doesn’t offer recycled aluminium, we will not be able to reach our KPI. Therefore, these KPIs need to be set at the highest company level so that business decisions are aligned”.

- Lisa Minere, project manager fair mining at Fairphone.

Fairphone is a Dutch electronics manufacturer that designs sustainable, long-lasting smartphones and accessories with ethical values and easy reparability.

Checklist on concrete responsible procurement policies:

- There is an understanding within the company of what responsible procurement is, why it is important, and how it aligns with the strategy and values of the company.
- The guidance on responsible procurement is aligned with the company’s policies on responsible business conduct.
- There is a clear policy for identifying and addressing sustainability risks.
- Roles and responsibilities between departments are well defined.
- There are clear KPIs on responsible procurement.
- KPIs of different departments don’t conflict with each other.



“We help our members improve their procurement practices, which are key to driving positive change in the industry. When procurement teams focus solely on intake margins, meaningful progress is unlikely. Since October 2022, we have been hosting regular sessions with fashion brands, retailers, and suppliers who are part of the Learning and Implementation Community (LIC), launched after the Common Framework for Responsible Purchasing Practices (CFRPP). These sessions foster peer learning and collaboration to implement better purchasing practices. A key challenge we’ve identified throughout these sessions is the misalignment between departments—such as buying and CSR—on strategic goals. Raising awareness within companies is essential to overcoming this barrier.”

- Jason Mandels, brand accountability coordinator at Fair Wear Foundation. Fair Wear Foundation is an independent multi-stakeholder organisation that works with garment brands, garment workers and industry influencers to improve labour conditions in garment factories.

2.3 Implement responsible procurement in practice

When all guidance and policies and roles are set, implementing responsible procurement comes down to building long-term relations, trust, and mutual understanding. This requires changing from a transactional approach to a more partnership-oriented approach. This does not happen overnight.



“At Nevi we do see that the role of the buyer is changing as a result of societal, market, and legal requirements. Relation management has always been important, but new topics are on the agenda and the focus is a lot more on cooperation in the longer term and building trust. We do see that dialogue skills, empathy, and cultural sensitivity become increasingly important. Procurement and supply chain collaboration are more often a package deal. Nevi aims to raise procurement to the next level for the benefit of individuals, organisations and society. We do this with a wide range of services and we invest our profits directly back into the development of the profession. Continuous development is needed for due diligence, social and sustainable procurement.”

- Marlijn Caspers, manager social programmes at Nevi. Nevi is the leading association for professionals in procurement, contract, and supply management.

2.3.1. Internal training

The traditional procurement role is changing due to sustainability legislation and requirements from consumers and society. That means that buyers need to execute new tasks that require new knowledge and skills. It is wise to create internal awareness of topics such as human rights and environmental responsibility, via (online) training or by stimulating cooperation between procurement and sustainability.

In these trainings, the procurement staff needs to become aware of how their actions influence the practices of their suppliers. In addition, applying better procurement practices can help suppliers work more efficiently.

Procurement practices here can directly influence lives elsewhere. Last-minute order changes, unrealistic delivery deadlines, or pressure to cut costs can result in sub-contracting to questionable factories, imposing excessive overtime, or creating unsafe working conditions. For example, when procurement teams push suppliers to rush orders, factories may exploit workers with long hours and low wages to meet demands.

In addition to new knowledge, other competencies are also needed. Traditionally, procurement professionals need to be organized, precise, analytical, assertive, and risk-averse. In the new role, there is a lot more focus on empathy, careful listening, dialogue skills, innovative thinking, and compromise finding.

Practical tips for future-proof procurement staff:

- **Balance traditional expertise with new skills**
 - Core procurement skills remain essential, but responsible procurement requires new competencies. Seek a well-rounded mix of experience and perspectives.
- **Expand hiring criteria**
 - When hiring, look beyond conventional procurement backgrounds and consider diverse educational and professional experiences to bring new – sustainability-focused- insights.
- **Enhance diversity and inclusion**
 - A strong procurement team benefits from a mix of genders, backgrounds, and personality traits.

2.3.2. Culture-sensitive communication

Child labour, long working hours, unsafe labour circumstances, (sexual) harassment, or low wages are perceived differently in different countries, contexts, and cultures. Discussing those topics with suppliers is not easy and requires a strong cultural awareness and a good understanding of what the practical, daily reality looks like. See the examples in the table.

We need to be able to prove that workers have access to and use protective gear to protect their health and safety.	The protective gear is too warm and makes me work slower, which results in a lower wage since I am paid per piece.
We cannot have child labour in our value chains, that is a reputational risk.	Since there are no schools in the vicinity of our villages, our children travel with us to the fields.
Workers mustn't work too long hours. The national rules about overtime need to be respected.	We want to make as long hours as possible to earn enough money to provide for the family.

That does not mean that these topics should not be addressed. It is not an excuse to hide behind culture. There are organisations that help address potentially sensitive topics in the value chain.



"We have invested in long-term relationships with suppliers. By visiting regularly, proving to be a serious and dedicated business partner, and co-investing in actual improvement, we have built trust. To protect this trust, we strategically think about which topics should be addressed by whom. Our procurement expert discusses different topics with her contacts, than our leadership with their contacts. And sometimes, we try to put topics on the agenda via third parties. We do for instance work with local NGOs. Sometimes they can play a role in addressing the most sensitive topics in a culturally appropriate manner. In that way, we don't damage our business relation whilst also not neglecting the most sensitive topics".

- Niels van den Beucken, CEO at Arte Groep.
Arte is a Dutch company that produces high-quality, sustainably, and fair-produced natural stone worktops.



"Although tools like codes of conduct, certification, and social audits have made some progress for workers in some areas, they fall short in many others. At the WE Program; we believe in a different approach -one that focuses on real dialogue and cooperation. For decades, many workers' voices in the value chain have been ignored. Moving from silence to speaking openly about sensitive issues is a big step. Building trust and safety to have these conversations takes time. That's why we only work with companies that are truly committed to this journey of improvement with us. Our facilitators work inside the factories, with the factory people, use creative methods like poster parades, letter writing, forum drama and artwork to hold space for not only workers but also factory management to express themselves and have dialogue together. These methods give workers new ways to share their thoughts. By truly listening to those affected we often uncover the realities of the working conditions, the realities of the factories and see how well-intended policies actually do not work out in practice. The good news is that jointly we can co-create better solutions".

- Idil Ander, head of program development at WE Program & Moon Mukherjee, WE Facilitator, India.

WE Program is a dialogue-based program, an innovative methodology of how to work with complex challenges, a global learning community, and an unconventional, yet powerful philosophy of how to collaborate.



"We tend to start dialogues about sustainability from our own cultural backgrounds and perspectives. At ETG we learned that it is important to take into account cultural differences. Do your research into the local culture and customs, to burst out of your bubble and have meaningful conversations".

- André van den Beld, head of sustainability at ETG.
ETG is a major agricultural supply chain operator and processor in Sub-Saharan Africa.



“For cobalt, we have co-founded the Fair Cobalt Alliance as Cobalt is very important in our product and it is an important component of our impact agenda. We also work closely with component suppliers in China. Language and culture can be a challenge. Therefore, we have an office in Taiwan and in China and we have Chinese-speaking employees. It takes time to build trust and explain what we aim to do and achieve. We want to make clear that we don’t aim to judge or criticize, we aim to jointly work on an impact agenda. I also want to emphasize it is not only about creating trust, it is also about building the right systems. We implement internal and external grievance procedures and work very seriously on addressing grievances”.

- Lisa Minere, project manager fair mining at Fairphone.
Fairphone is a Dutch electronics manufacturer that designs sustainable, long-lasting smartphones and accessories with ethical values and easy repairability.



Summary

This chapter focused on responsible procurement practices. It showed that a clear company commitment to responsible business conduct is a precondition to responsible procurement. The overarching company strategy, procurement strategy, and procurement practices influence and reinforce each other as wheels in a machine. The section also shows the changing role of the procurement professional in which relationship management becomes more important, as well as internal cooperation to identify and manage sustainability risks. The next chapter identifies what can be done in direct relation with suppliers.

Checklist on implementing responsible procurement:

- The procurement staff is made aware of how their decisions impact people elsewhere, for instance via internal training.
- The procurement staff has the skills to address sustainability topics with suppliers.
- There is an overview of organizations that can help to address topics in the value chain that might be culturally sensitive.



Reading tips:

- The Global Labor Institute has defined 25 metrics to measure due diligence in global supply chains, including sourcing risk measures: [Measuring Supply Chain Due Diligence: Labor Outcomes Metrics](#)
- The common framework of responsible procurement practices (CFRPPP) is an important reference for the textiles sector: <https://www.cfrpp.org/>
- Procurement professionals who would like to meet like-minded peers can reach out to the Sustainable Procurement Pledge: [The Sustainable Procurement Pledge](#)
- For the cocoa sector, there is an interesting [Paper of the Voice Network on Responsible Procurement Practices](#) and a [Procurement Practices Position paper by Disco](#).
- The Ethical Trade Initiative created a [Guide to Buying Responsibly](#) and a [Common framework for responsible procurement practices in food](#)
- In the textiles sector, the [Key recommendations by the Sustainable Terms of Trade initiative](#) are an important reference.

3. Meaningful supplier engagement

Addressing social sustainability topics in the value chain requires cooperation between buyers and suppliers. This is not always straightforward in long, complex supply chains and situations with little leverage. This chapter focuses on strengthening the relationship between buyers and suppliers to jointly work on improvement. It is important to note that the essence is collaboration for improvement. Disengagement should be seen as a last resort.

3.1 Invest in supplier selection procedures

Chapter 2 already mentioned the importance of long-term relationships with suppliers. It's easier to build these relationships when both sides share a commitment to responsible business. The supplier selection process helps find partners who are open and willing to work on improvements in the value chain. It's important to note that the goal isn't to get rid of suppliers who aren't perfect yet but to jointly commit to improvement.

Tips for the selection of new suppliers:

- **Integrate sustainability into selection criteria**
 - Ensure supplier selection templates and processes include clear sustainability requirements, such as whether the company has a due diligence policy, whether there is sustainability certification available, or whether social audits are executed.
- **Define sustainability's weight in decision-making**
 - Management should specify how much sustainability factors into supplier selection.
- **Invest in a thorough selection process**
 - Careful supplier selection takes time and money but may pay off in long-term benefits.
- **Visit and assess suppliers in person**
 - On-site visits help verify alignment on sustainability goals and potential for joint improvement.
- **Prioritize collaboration over perfection**
 - A supplier willing to improve may be a better partner than one already meeting all standards because this openness to improvement and long-term collaboration can create a higher sustainability impact and added value for both parties.

- **Focus on strategic supplier relationships**
 - Not all suppliers can be long-term partners—start with those most critical to your business.
- **Allocate time to guide suppliers**
 - Free up capacity to support suppliers through the selection process, ensuring alignment on sustainability expectations.



“In the supplier selection process, it is important to include sector-specific sustainability risks and verify how the supplier addresses those. The procurement staff must understand those risks to a certain extent. The decision-makers in the company need to specify how much weight can be assigned to those elements. This provides a mandate to the procurement staff to sometimes choose a more expensive supplier with a stronger impact agenda”.

-Lisa Minere, project manager fair mining at Fairphone.

Fairphone is a Dutch electronics manufacturer that designs sustainable, long-lasting smartphones and accessories with ethical values and easy reparability.



“Before visiting potential new partners, we have contact via email to already test the waters. We share our code of conduct and explain our vision. We visit potential new suppliers before doing any business. We want to make clear what we expect and how we work. We ask what they already do and what they find important. If we feel that there is a ground for cooperation, we can continue. It can take a couple of visits to get to know the partner and to start the relationship”.

- Trix van Halder, corporate social responsibility at Schijvens.

Schijvens is a manufacturer and distributor of corporate clothing products.



3.2 Include responsible behaviour in contracts and code of conduct

The contracts and the codes of conduct are important documents that manage the business relationship between buyers and suppliers. In both documents, there are best practices to support social sustainability.

3.2.1. Contracts

In traditional contracting practices, most risks tend to be shifted to the supplier. Responsible contracting is a term used for a different way of drafting contracts, in which both the supplier and the buyer commit to implementing practices that protect human rights and the environment.

Concrete tips for responsible contracting are:

- **Be a responsible business partner**
 - Respect contract terms, keep commitments, and maintain open dialogue with suppliers.
- **Incorporate supplier needs**
 - Listen to suppliers and incorporate their concerns into contract terms for a fair partnership.
- **Handle breaches fairly**
 - If issues arise, collaborate on solutions and consider sharing costs rather than imposing penalties.
- **Follow best practices in the industry**
 - There are initiatives that support companies in organising responsible contracting, such as the Responsible Contracting

Project (RCP). Industry-specific guidelines are also available such as Sustainable Terms of Trade Initiative for textiles and the responsible purchasing principles of DISCO for the cocoa sector, including but not limited to paying fair prices, paying on time, avoiding last-minute changes, and respecting agreed timelines.

3.2.2. Code of conduct

The code of conduct has traditionally been an instrument of the buyer to communicate its minimum requirements in the area of legal compliance, ethical business conduct, and sustainability to the supplier. Increasingly, suppliers play a more proactive and equal role in defining these requirements in a so-called two-way code of conduct or buyer-supplier code of conduct. The two-way code of conduct formalizes what the buyer and supplier should and should not do. The two-way code of conduct should be developed in cooperation with suppliers, taking into account the realities of the buyer and supplier – jointly looking for the best way to work together.

Supplier side: The two-way code of conduct is not only different from a 'normal' code of conduct in the sense that it includes criteria for the buyer side. It also takes into account the ideas of the supplier in the section on supplier requirements. In general, it is more concrete and less idealistic in the things that are required, attaching more weight to transparency and joint improvement than compliance.

Buyer side: The two-way of conduct is more balanced in the sense that also the buyers have requirements to meet. For the buyer, it can include requirements such as respecting payment terms, negotiating fair delivery times, avoiding last-minute changes in the order, or compensating the supplier when last-minute changes occur.



“There has been some progress in supplier-buyer relations. Some companies are revisiting their payment terms, shifting towards shorter timelines after previously extending them. Responsible contracting is also evolving, with buyers and suppliers more clearly defining their shared responsibilities in human rights and placing greater emphasis on identifying sustainability risks within their supply chains. While disengagement remains a last resort, if a supplier refuses to address identified human rights issues, a buying company may decide to end the business relationship. In such cases, it is essential to do so gradually, providing a ‘soft landing’ for the supplier. The Corporate Sustainability Due Diligence Directive (CSDDD) will further encourage this approach.”

- Mark Birch, Program Director - sustainable procurement at IDH.
IDH is an international organisation that brings together public and private stakeholders to make global agricultural markets more sustainable and inclusive.



“Every year, our suppliers come together during our supplier event. All 13 suppliers from 8 countries meet each other. A couple of months before this event we shared a survey with questions about our performance the past year. The suppliers are invited to provide feedback, for instance on the code of conduct and on our practices. Depending on the kind of input, we change practices or the code of conduct”.

- Jeske van Korven, corporate social responsibility at Schijvens.
Schijvens is a manufacturer and distributor of corporate clothing products.

Tips and tricks for creating a two-way code of conduct:

- **Learn from front-runners**
 - Many frontrunning companies publish their code of conduct online. Reviewing these can provide insights into best practices.
 - Organisations like the [Ethical Trade Initiative](#) and [Fair Wear Foundation](#) offer code of conduct templates, which can serve as a strong foundation for developing or improving your own supplier guidelines.
- **Focus on strategic partnerships**
 - Start by discussing a two-way code of conduct with suppliers you already have a long-term relationship with. Ask suppliers what would help them in addressing challenging topics in their supply chain.
 - Not every supplier needs a customized version—prioritize strategic suppliers and develop a generic version that includes supplier input on buyer-side expectations.
 - Link the two-way code of conduct to a commitment to long-term cooperation.
- **Learn from your suppliers**
 - Frontrunners have shown the value of regularly hosting a supplier event where all suppliers can openly discuss challenges, share best practices, and provide feedback.
 - Use these insights to improve collaboration and refine your code of conduct over time.

3.3 Pay a fair price

The price paid to agricultural producers and factory owners, as well as the distribution of margins within value chains, has long been surrounded by secrecy. These topics have been excluded from sustainability discussions for many years. However, this is gradually changing. Research by NGOs and academic institutions highlights the distribution of margins across value chains, as illustrated by the banana and t-shirt examples below (figure 2 and 3). Both examples show that the producers and workers are only a very small part of the cost structure. In addition, several benchmarks on living wages and living incomes show that current wages and prices are often too low to guarantee a living wage or income. While more companies are committing to paying living wages and living incomes, there is a growing realization that this cannot be achieved under the current pricing structure.



Figure 2: Banana value breakdown between main supplying countries and the EU
Source: [Image from Basic, 2015](#)



Figure 3: Breakdown of costs of a t-shirt.
Source: [Clean Clothes Campaign, Fashion Checker](#)

To work towards living wages and living incomes, fair prices need to be paid. But how to determine what is a fair price? Some of the frontrunners in this guide take a radically different approach. They have open dialogues with producers, asking what prices they would need to run a sound business. Others work with open-cost calculations, which means that they have an insight into the cost structure of their suppliers. Not to put more pressure on suppliers, but to pay a realistic price that allows covering the production costs and a profit margin. Frontrunning companies make sure to regularly check if the prices still match the reality, or if adjustments are needed.

Below a number of other ways to pay 'fairer' prices are given.

3.3.1 True pricing

True pricing is an approach in which negative social and environmental externalities are calculated and included in the price of a product. In the Netherlands, retailer Albert Heijn has executed pilots in this field, offering coffee for a normal price and the true price³. True pricing requires a thorough insight into primary data and transparency along the value chain.

3.3.2. Open cost calculations

Open cost calculations, as already mentioned previously, are based on a transparent insight into the real costs of production to determine a price that is sufficient to pay all costs and a margin to run a long-term viable business. Applying this method is only possible when there is trust and when these data are not misused to put pressure on this or another supplier.

3.3.3. Ring-fence labour costs

The concept of 'ring-fencing' is used in different contexts in the financial sector, but in this context, it is meant to make sure that in negotiations the direct and indirect labour costs are seen as one block of costs that needs to be covered and that cannot be up for negotiation. See for instance the figure below that shows a simplified picture of the costs structure of a textile factory. The dark blue elements are about the labour costs. They are seen as one block in the negotiations.

Fabric costs	
Additional costs (trim/zippers etc)	
Labour cost component (LCC)	
Labour minute value (LMV)	
Standard allowed minutes (SAM)	
Efficiency factor	
Total LCC	
Factory contributions (overheads and markup)	
Total	

Figure 4: Costing blocks in textile for ring-fencing labour costs.
Source: [ACT Labour Costing Protocol](#)

³ [True-price| Albert Heijn](#)



3.3.4. Price premiums

Various methods have been developed to pay agricultural producers a premium for their sustainable products. Most agricultural certification systems, for example, offer premiums for sustainable practices, either at the individual producer level or at the cooperative level. Another approach is to increase the differentiation of products into different quality tiers and offer higher prices for better quality. Increasingly, companies are also paying suppliers for providing data. This data is becoming more important in the context of the EUDR and CSDDD



“We have always been very transparent about the prices we pay, and we want to pay a fair price to the producers. We work with large coffee estates and cooperatives. The estates usually have a good insight into their cost structure. We have constructive conversations about the price that works for them and for us, and the insight into the cost structure helps in that dialogue. At the end of the day, we also need to be able to sell the coffee, so we must be realistic. Cooperatives usually don’t have a detailed insight into the costs of production. Therefore, we sit with them and ask what price would make them content. The fact that we are not doing complicated living income calculations increasingly starts to work against us, but we believe that when farmers themselves indicate what price they need, we are on the right track”.

- Maarten van Keulen, planning & relationships at This Side Up.
This Side Up is a fully transparent coffee-importing company that unites a worldwide community of coffee producers.

Notification:

When talking about prices for commodities, it is important to be specific about what is meant and how that translates into reality.

The farm-gate price is the price the farmer earns for its commodities, without processing, transportation, or other costs downstream. This price provides the best insight into what the producer earned. However, often additional calculations are needed to understand what the farm gate price is in the daily reality. For instance, it can be expressed in dollars per pound, while the local currency is another one, and measuring units are also different. Exchange rates and conversion factors can have a big impact.

Another price is the Free-on-Board price, which is the price importers pay to the exporters. It includes the price of the product, transportation costs, and costs linked to preparing the shipment. When looking at the FOB price, it doesn’t say so much about what the producer earned. Awareness of these key concepts can help you understand better the reality at the level of the producer.



“We have a very detailed insight into the costs of production from our producer in Nepal. We work together with our production partners to pay more than living wages and we take steps on a yearly base. We have to make a final price work for our final consumers, our company, and the production partners including the makers.

- Eva de Bruine, impact manager at A Beautiful Story.
A Beautiful Story is a Dutch brand of ethical jewellery.



“Pricing remains a complex issue. More companies are engaging directly with farmers, identifying key quality parameters that align with their needs and rewarding production that meets those standards. This approach is evident in the tea industry, where companies focus on specific particle size ranges and are willing to pay a premium of 2 to 5 percent above market value for the desired quality.”

- Mark Birch, Program Director - sustainable procurement at IDH.
IDH is an international organisation that brings together public and private stakeholders to make global agricultural markets more sustainable and inclusive.

Example:

Frontrunning brands in the textile sector have committed to implementing practices that ensure that all labour costs are paid and price negotiations don't move below a threshold that doesn't allow for covering those costs. Members of ACT on living wages (Action, Collaboration, Transformation) agree to:

- Invest in fair pricing, transparency, and long-term supplier commitments.
- Ensure that wages are included in prices using the ACT labour costing protocol.
- Make labour costs a separate part of price negotiations.
- Reflect expected wage increases in purchasing prices.
- Cover wage increases, not impose them on suppliers.
- Never force suppliers to offset wage costs through unrealistic efficiency gains.
- Support suppliers to improve efficiency through better purchasing practices and training.
- Guide suppliers on proper labour costing.
- Track and ensure wages and labour costs are reflected in prices.

Read more in the Labour Costing Protocol:
[ACT-Labour-Costing-Protocol.pdf](#)

Tips and tricks for paying fair prices:

- **Use data to determine fair pricing**
 - Familiarise yourself with living wage/income benchmarks in the countries and sectors where you operate. The IDH roadmap on living wage and the IDH roadmap on living income are a great starting point.
 - Use historic price data and benchmarks to assess what a fair price should look like.
 - Gain insights from your supplier into how payments reach workers and farmers. This is important for example, to ensure that premiums or wage increases actually benefit those further down the supply chain.
 - Frequently evaluate and adjust prices if necessary, ensuring they remain fair and sustainable for all parties.
- **Build transparency and trust with suppliers**
 - Build the trust needed to discuss your suppliers' cost structures openly.
 - Share insights into costs and margins downstream, so suppliers understand your pricing strategies.
 - Ask suppliers what price would enable them to pay a fair wage/income while maintaining a sustainable business.
- **Protect labour costs**
 - Ensure that wages are protected and not compromised in negotiations, for example by applying ring-fencing of labour costs.
- **Understand customer willingness to pay**
 - Assess whether your customers are open to paying a higher price to support fair wages and incomes for workers and farmers upstream. Their willingness can inform your pricing strategy.



“In one of our projects, we don't only pay the farmers a premium for higher quality spices but also for data. Think for instance about the transaction date, price and premium received, the volume supplied, and the polygons of the land. These data are stored in a blockchain application. These insights not only inform our living income strategy, they can also help us implement strategies against deforestation and for carbon sequestration”.

- Evert Jan Verschuren, sustainable supply chain development at Verstegen.
Verstegen Spices & Sauces is a 4th generation family company that supplies quality herbs and spices.



3.4. Look for mutual gains

Working on social sustainability with your supplier is easier when there is trust and long-term cooperation. However, often the buyer and supplier are opposites in a negotiation game. One approach to change that is by focusing on mutual gains. The mutual gains approach tries to find value for both negotiating partners. This requires zooming out to the bigger picture and wondering: is there something I can offer that is of value to my negotiating partner? Of course, this is only possible when the buyer has a stable and sufficient turnover. It is about being on the same side, instead of opposite sides. Check the examples and read the tips to become inspired.



“When we started with the recycled materials few of the suppliers were thrilled about that. In the meantime, the industry shifted towards recycled materials. We noticed that we could say: ‘Yes, we know we are a small player, but this is a trend that is coming your way. With us, you can test this option, and we will train and support you, we do this together. And in the long term, you will reap the benefits. This will give you a unique value proposition toward customers, consumers, and legislative demands”.

*Lisa Minere, project manager fair mining at Fairphone.
Fairphone is a Dutch electronics manufacturer that designs sustainable, long-lasting smartphones and accessories with ethical values and easy repairability.*

Examples of traditional negotiations	Examples of ‘mutual gains approach’
If the buyer pays a lower price, the supplier receives a lower price.	The buyer commits to buying a defined volume for 3 years in a row and hence pays a lower price per piece. Provided that at least all costs are covered and the supplier can pay a living wage.
If the buyer wants a quick delivery, the supplier has less time to organize this.	The supplier and buyer agree to divide the delivery of the order into different batches. The first batch will arrive soon, but there is more time for the other batches.
If the supplier requires a minimum order size, the buyer needs to buy more than needed.	Both the supplier and buyer do their best to find more customers so that the order can be combined to meet the minimum order size.
If the buyer negotiates long payment terms, the supplier has to wait a long time for its money.	The buyer promises to pay in a very short term but negotiates a discount in return, provided that at least all costs are covered and the supplier can pay a living wage.

Tips for applying the mutual gains approach:

- **Build trust by ensuring consistency**
 - Have the same contact person from your company work with the same person at the supplier to establish trust.
- **Ask the right questions to identify which ideas and concerns are behind the negotiation position**
 - What is your biggest concern right now?
 - Are there other areas we can include in the negotiation?
- **Listen and clarify**
 - Actively listen and repeat key points in your own words to ensure mutual understanding.
- **Broaden the discussion**
 - Look beyond price, quantity, payment terms, and delivery conditions—consider factors that create mutual value and strengthen the partnership.
- **Identify things valuable to the supplier but easy for you to provide, such as:**
 - Market insights into consumer trends.
 - Business connections with potential partners.
 - Opportunities to purchase additional products or ingredients.
 - Longer-term contract commitments.
 - Knowledge of innovative technologies they could adopt.
 - Training on legislative requirements in the consumer market.

By investing in the relationship between buyers and suppliers new business opportunities can be identified. The following companies have done so successfully.



“In our annual supplier event, we also try to invite other actors in the value chain, such as the company responsible for recycling. Interestingly, all these actors learn from each other. As a very concrete example: one of the factories experienced problems working with the recycled yarn. The yarn frequently broke in the sewing machines. One of the other factories had already discovered that by adjusting the settings of the sewing machines, the problem did not occur. By bringing those people together, we could find a solution that we would not have identified that easily. We facilitated that an expert from the factory in Turkey could go to the factory in India to help solve this issue”.

Trix van Halder, corporate social responsibility at Schijvens.
Schijvens is a manufacturer and distributor of corporate clothing products.



“In addition to the ambition to reduce unnecessary transport of cashews and keep added value in producing countries, Johnny Cashew also raised another topic. In the cashew business, it is the common practice to select the nuts on size, intactness, and colour. The preferred grade is W320, indicating a white whole kernel with 320 kernels per pound. This focus on the perfect grade creates a lot of inefficiencies. Cashew brand Johnny Cashew wanted to change this practice and discussed with its value chain partners whether bigger, smaller, whole, and broken nuts could not be offered in one consumer package. They agreed to do so and discovered that consumers were completely okay with it”.

Hayo de Feijter, co-founder of Johnny Cashew.
Johnny Cashew is a cashew company with the mission to ensure that all cashews are processed in their country of origin and are no longer unnecessarily transported around the world.



Summary

This section focuses on ways to strengthen supplier-buyer engagement to work on social sustainability. We identified best practices in supplier selection, contracting, and joint innovation. The next chapter identifies how your company can facilitate the supplier to work on social sustainability.



Reading tips:

- The Ethical Trade Initiative offers very clear templates for Code of Conducts, see [The Base Code of the Ethical Trade Initiative](#)
- The FairWear Foundation has developed a buyer guidance for responsible contracting, see [Buyer Guidance for responsible contracting by Fair Wear](#)
- The Action, Collaboration & Transformation initiative has developed its Labour Costing protocol which provides clear guidance on how to move to living wages in the textile sector: [The ACT-Labour-Costing-Protocol.pdf](#)
- The Better Buying initiative is an initiative that helps to improve purchasing practices in global supply chains by making a transparent dialogue between buyers and suppliers possible. See: [Better Buying – Improving purchasing practices in global supply chains](#)
- The responsible contracting project identifies best practices and offers templates to support responsible contracting practices: [The responsible contracting project](#)

4. Invest in your suppliers

Companies downstream have a role to play in supporting social sustainability upstream. Due diligence requirements emphasize the importance of addressing the root causes, rather than creating compliance on paper or disengaging in areas with challenges. This section provides concrete examples and tips on how to work on social sustainability with your suppliers. It is important to note that the essence is collaboration for improvement. In line with due diligence frameworks, disengagement should be seen as a last resort.

4.1 Introduce legal requirements

Suppliers in production countries outside the European Union can greatly benefit from customers who take the time to introduce them to the EU's legal requirements. This can be done through regular meetings, a brief webinar, or an in-person training session. The MVO Steunpunt offers valuable insights into new European regulations on its website and through dedicated tools. Public bodies focused on promoting exports from developing countries, such as RVO-CBI, can also provide knowledge and resources for your suppliers.



"One of our suppliers is supplying a lot of spices to the United States. This specific supplier is a bit more expensive, and the American market is very cost-oriented. We worked with the supplier to provide them with the tools to showcase why they are a bit more expensive and what the added value is for the American market. They can now tell the story, backed with evidence, that they ensure fair wages, provide training in health and safety, and respect the national laws. This proof of legal compliance has value, also in the United States".

- Evert Jan Verschuren, sustainable supply chain Development at Verstegen. Verstegen Spices & Sauces is a 4th generation family company that supplies quality herbs and spices.



It is key to translate the sustainability ambitions into a clear business case for your supplier. This will help in gaining enthusiasm for the approach. We also notice that the business case is not only essential for suppliers, but also for internal organisation. Internal colleagues are also extra motivated when sustainability also has an (financial) impact on our business.

André van den Beld, head sustainability at ETG.
ETG is a major agricultural supply chain operator and processor in Sub-Saharan Africa.

4.2 Show the added value of better practices

Today's world market is highly competitive and the pressure to be cheaper and quicker is immense. But there are also examples of companies that moved in the opposite direction and obtained better results. Various downstream companies, like the ones in this paper, commit to paying living wages or making sure human rights violations are avoided in their value chains. Companies upstream that have strong proof that they pay living wages and treat their people well, can benefit from this. Your company, as a buyer, can help your suppliers understand this market demand.



"We are dedicated to paying living wages. Although our suppliers also want to pay their workers decent wages, the step towards higher wages can be a scary one. There is fierce competition on cost price and higher wages mean a higher price. One of our suppliers in Pakistan had the same doubts but decided to start the journey towards living wages with us. To its surprise, the supplier discovered that the fact that the factory now paid living wages was a unique selling point in the market, rather than a disadvantage".

- Jeske van Korven, corporate social responsibility at Schijvens.
Schijvens is a manufacturer and distributor of corporate clothing products.



"Within our Responsible Sourcing Program, we have selected our 50 most important suppliers and asked them to share key sustainability information with us (policies, certifications, SMETA audit reports) and to complete an extensive survey. The information we obtain helps us understand where they are regarding sustainability. It is the starting point for a customized training program with online training sessions and one-on-one contact moments. We support them in developing their ESG policies and provide suggestions for measures they could take. It is important to emphasize that we don't aim to filter out the worst-performing suppliers but rather want to help them do better. We believe in a long-term relationship with our suppliers and invest in support, monitoring, and improvement projects such as in the cashew chain in Tanzania or the Quinoa chain in Bolivia".

Eveline Tegelaar, chief sustainability officer at Monchy Food Company.
Monchy Food Company is a company operating in the field of nuts, seeds, dried fruits and superfoods. The company dates back to 1851 and is the specialist in the responsible sourcing of complex natural ingredients.

4.3 Strengthen the supplier's management

Although it is not always possible, companies can consider supporting their suppliers by investing in better (management) practices, for instance in the area of quality management, record keeping, or labour circumstances. Many companies (or their customers) in the European Union will need to comply with the CSDDD and the CSRD and to do so, they will need information. If your company can help your suppliers with their management practices, this can be a very valuable investment for the future.



“Our CEO started A Beautiful Story to support a jewellery factory in Nepal. Our operations team has worked closely with the leadership of that company to build a solid business: to understand better the cost structure, to plan better, to produce with less waste etcetera. We are now encouraging them to also work with other customers and expand their business beyond A Beautiful Story”.

*- Eva de Bruine, impact manager at A Beautiful Story.
A Beautiful Story is a Dutch brand of ethical jewellery.*

4.4 Co-invest in better practices and technologies

When supply chain partners jointly invest in better technologies or production processes, it can have a significant environmental or social impact. For instance, in the leather industry, more environmentally friendly (though costlier) technologies are available for tanning leather. Also, when companies in the value chain collaborate, there are various opportunities for recycling and upcycling. Co-investment can also provide advantages in terms of access to finance, as the involvement of a buying company with a stronger risk profile may help attract financing.



“Our objective is to, within the next two years, pre-finance all our coffee farmers. We are currently doing this already with part of our suppliers, supported by organisations such as Progreso or Rabo Foundation. We believe this is an important practice because it reduces stress at the level of the producer. Prefinancing gives them the security that there is enough money to pay for the coffee pickers, cover other processing costs and make some investments. This pays off in higher quality, amongst other things”.

*- Maarten van Keulen, planning & relationships at This Side Up.
This Side Up is a fully transparent coffee importing company that unites a worldwide community of coffee producers.*



“Sometimes we have to be creative to make an impact where it matters. In the case of gold, for instance, there is 24 mg of gold in one cell phone, divided over more than 180 different components, each with sometimes more than 4 or 5 supply chain tiers. Gold supply chains are long, complex, and not fixed. To contribute to responsible gold production, we invested in book & claim supply chain models for responsible gold. We buy credits from mines that are certified in line with high-level standards. However, we also believe we need to engage with those mines that are not there yet. Therefore, we also invest in credits from mines that comply with minimum sustainability requirements. The premium earned with the credits is earmarked for improvements. In this way, we try to invest where it matters most – even though we are not able to say ‘This gold molecule came from that mine’”.

- Lisa Minere, project manager fair mining at Fairphone.

Fairphone is a Dutch electronics manufacturer that designs sustainable, long-lasting smartphones and accessories with ethical values and easy repairability.



Reading tips:

- All companies in this document have clear examples of how they invest in and with their suppliers. Check their websites for recent information.
- Fairwear Foundation offers a lot of examples in the textile sector: <https://www.fairwear.org/>
- IDH has a world of inspiring examples on their website: <https://idh.org/>
- When it is hard to find the financial rationale (e.g. too risky, no business case yet) for a specific investment, there are sometimes options for companies to attract public funding to jointly work on improvements in the value chain. Check the [website of RVO](#) to stay up to date.



Summary

This chapter focused on different ways for buying companies to support their suppliers in addressing sustainability risks and improving practices in the area of wages, incomes and working conditions. However, sometimes a company is just too small or the issues play a couple of tiers further upstream. In that case, collaboration is a good strategy. The next chapter talks about that.

5. Joining forces in the supply chain

Many SMEs feel too small to address social sustainability issues in the value chain. Leverage plays a key role, but collaborating with other companies can amplify this leverage. Multistakeholder initiatives can also help address sustainability risks collectively. Companies sometimes cite competition law as a barrier to cooperation, but there's often more room for collaboration than they realize

5.1 Join existing initiatives

Many multistakeholder initiatives work on sustainability in international supply chains. We list a number in the table. What these initiatives have in common is that they support companies to jointly work on due diligence by increasing knowledge and transparency, by sharing best practices and harmonising activities. Organisations like the ones mentioned below can help your company with your due diligence questions/diligence questions.



"We are doing a lot ourselves, but we also highly value collective initiatives such as the Responsible Business Alliance and the Responsible Mining Initiative. These initiatives offer templates for a code of conduct, training, and audits. For companies, it is really the best to harmonize and pool resources. It is undesirable when each supplier has to deal with hundreds of rules and various codes of conduct. That does not work. Companies don't have the capacity to train all suppliers or to take all of them by hand. Collective work is very important for that".

- Lisa Minere, project manager fair mining at Fairphone.

Fairphone is a Dutch electronics manufacturer that designs sustainable, long-lasting smartphones and accessories with ethical values and easy repairability.

Sector	Name of the initiative
Sector agnostic	Responsible Business Alliance
Energy	International Responsible Business Conduct Agreement (IMVO convenant) for the Renewable Energy Sector
Textile	Fair Wear Foundation Cascale (Sustainable Apparel Coalition) WE Program
Cotton	Better Cotton Initiative
Fruits & vegetables	Sustainable Fruits and Vegetables Initiative (SIFAV)
Oil seeds	Round Table for Responsible Palm oil (RSPO) Round Table for Responsible Soy (RTRS) Collaborative Soy Initiative (CSI)
Spices	Sustainable Spices Initiative
Nuts	Sustainable Nut Initiative (SNI)
Aluminium	Aluminium Stewardship Initiative (ASI)
Natural stone	TruStone
Rubber	Global platform for sustainable rubber
Coffee	Global Coffee Platform Sustainable Coffee Challenge Futureproof Coffee Collective (FCC)
Tea	Ethical Tea Partnership
Mica	Responsible Mica Initiative
Mining products	Responsible Mining Initiative Responsible Jewellery Council European Partnership on Responsible Minerals (EPRM)
Cocoa	Dutch Initiative on Sustainable Cocoa (DISCO) International Cocoa Initiative

5.2 Work with competitors

It does not come naturally to companies to work with competitors. Companies might fear that they violate competition rules. The good news is that a lot is possible in the pre-competitive sphere.

Working on social sustainability with competitors can have big advantages, in terms of reduced costs, lower inefficiencies, and better alignment towards suppliers. Multistakeholder initiatives are a good way to make pre-competitive work possible in a safe space. In the textiles covenant in the Netherlands for instance, textile companies have transparently reported about the factories where they buy their garments. When multiple brands source from the same factory, they can jointly try to address topics like working hours, working conditions, and wages.

Practical tips for working with competitors:

- **Verify with the competition authority**
 - If you are in doubt whether you are still in the precompetitive space, make use of the tools from your national competition authority to assess your idea/collective.
- **Join trustworthy initiatives**
 - Multistakeholder initiatives offer a safe space to work with competitors.
 - Use trustworthy, publicly available, and transparent tools to share information whilst being sure you are in the legally allowed pre-competitive space.
- **Use a clear antitrust statement**
 - Draft a clear antitrust statement that everyone understands and promises to adhere to.



“19 companies have joined Tony’s Open-Chain, from companies using small amounts of cocoa to big retailers. This means that all cocoa is sourced in line with the 5 sourcing principles⁴ originally developed by Tony’s Chocolonely. In Tony’s Open Chain, we source beans collectively as an industry initiative. This helps scale up our impact and make our practices a new industry norm”.

*- Julie McBride, senior sourcing specialist at Tony Chocolonely.
Tony Chocolonely is an impact company that sells chocolate.*



“We are engaged in living wage projects with our suppliers. We bridge the gap between the actual wage and the living wage for the amount of labour time used on our production. That does not mean that all employees of that factory earn a living wage. A factory might for instance only work some weeks in the year for us. Therefore, we would love to work with other buyers from our suppliers and ask them to do the same. We developed a living wage toolkit, in which we share our approach and relevant templates. Unfortunately, others in the industry don’t seem very eager to join yet. However, we continue to lead the way and spread our approach”.

- Lisa Minere, project manager fair mining at Fairphone.

Fairphone is a Dutch electronics manufacturer that designs sustainable, long-lasting smartphones and accessories with ethical values and easy repairability.



Buyers often travel around the same period and frequently meet each other in production regions. We discovered that Zeeman was sourcing from the same factory and we started working on a living wages project. We never buy the entire production of a factory, so when we can team up with multiple buyers it is much easier to jointly work on better wages.

Jeske van Korven, corporate social responsibility at Schijvens.

Schijvens is a manufacturer and distributor of corporate clothing products.



5.3 Identify non-competitive peers

It is also possible to work with companies in other sectors that acquire the same raw materials. Cooperation with such companies is likely to feel less threatening. Gemstones are for instance used for jewellery but also increasingly for health or spiritual practices. Cane sugar, coconut products, or shea can be used in cosmetics but also in food. It is possible to work with companies from completely different sectors to achieve the same: more responsible practices in international value chains.

Practical tips to identify non-competitive peers

- **Visit trade exhibitions**
 - Attend industry events to discover companies using similar ingredients or materials.
- **Explore multi-stakeholder initiatives**
 - Check their member lists or ask managers for potential collaboration partners.
- **Ask suppliers**
 - Find out which other industries use the same raw materials to identify partnership opportunities.
- **Start small**
 - Begin with a pilot project, joint order, or resource-sharing initiative to assess compatibility before scaling up.
- **Look abroad**
 - Identify if there is a competitor from another part of the world with whom you can cooperate.



“We avoid collaborating with direct competitors. However, we are exploring whether we can work with a non-European company with a similar background and philosophy. When we pool our volumes, we can make a bigger impact. It also allows us to distribute the costs of sustainability projects over a bigger volume of products, optimizing efficiency. We can then source from their supply base that is already working more sustainably, and they can work with our suppliers that are engaged in improvement projects”.

- Evert Jan Verschuren, sustainable supply chain development at Versteegen. Versteegen Spices & Sauces is a 4th generation family company that supplies quality herbs and spices.

5.4 Verify if your cooperation fits the rules for competition

Companies are allowed to collaborate to achieve sustainability goals, such as improving social conditions. Competition law provides room for this. If companies have questions about this, they can reach out to their national competition authority. In the Netherlands for instance, there is the option to do a collaboration check and, in case of doubt, request an informal assessment from The Netherlands Authority for Consumers and Markets (ACM). The ACM is an independent regulator who is, amongst others, charged with competition oversight.

- **Agreements that do not affect competition are allowed. The following are examples of sustainability agreements that will generally not affect competition:**
 - Agreements that do not concern the economic activity of undertakings, but their internal corporate conduct.
 - Agreements to set up a database containing general (not commercially-sensitive) information. For example a database with suppliers that have (un)sustainable value chains or production processes, or distributors that market products in a(n) (un)sustainable manner, but which do not forbid or oblige the parties to purchase from such suppliers or to sell to such distributors.
 - Agreements between competitors relating to the organisation of industry-wide awareness campaigns, or campaigns raising customers' awareness of the environmental impact or other negative externalities of their consumption, provided that they do not amount to joint advertising of specific products.
- **An agreement for a sustainability standardisation is in any case allowed when six conditions are met:**
 - All companies and stakeholders can control the process that led to the sustainability agreement.
 - Everyone can choose to join or not to join.
 - Companies can still choose to move to a more ambitious sustainability norm.
 - Companies restrict themselves to sharing only commercially sensitive information that is necessary to create the sustainability agreement.
 - All companies have access to information about the sustainability agreement and can decide to join at a later stage.
 - Competition is not affected significantly: (i) the agreement does not result in a significant price increase or significantly worse quality of the product. Or (ii) all companies together have not more than 20% market share in markets affected by the agreement. Only one of those two criteria needs to be met.

- **Agreements that do affect competition are, in principle, not allowed. A sustainability agreement is for example not allowed when:**

- The companies agree to pass on the costs of the sustainability agreement to their customers via higher prices.
- The companies decide together what the price will be of the products within the sustainability agreement.
- The companies put pressure on competitors to not offer products anymore that don't meet the sustainability agreement.
- Companies block technological progress beyond legal sustainability norms.

Exception to the rules:

If you want to make a sustainability agreement with other companies that negatively affects competition, you may only proceed if the benefits outweigh these negative effects. To ensure compliance with the law, you must demonstrate that the agreement meets the following four conditions:

1. it provides efficiency benefits, including sustainability advantages
2. it is essential to achieve those benefits
3. your customers receive a fair share of the advantages
4. sufficient competition remains in the market.



On top of that, the Dutch Competition Authority (ACM) provides additional flexibility for cooperation in two cases: environmental damage agreements and compliance agreements. For more information, see the Policy Rule on ACM Oversight of Sustainability Agreements.

In 2023, The Belgian Competition Authority (BCA) assessed a sustainability initiative focused on living wages in the banana sector. Following its review, the BCA concluded that the initiative does not raise competition concerns. A similar initiative exists in the Netherlands, making it particularly relevant to examine the BCA's reasoning.

The initiative aims to bridge the gap between current wages and living wages in the banana supply chain. As part of the initiative, living wages are calculated, and the difference between actual and living wages is identified. However, participating companies remain free to determine their own approach to achieving living wages and to decide how any cost adjustments are passed along the supply chain.

The BCA assessed the initiative based on several criteria, including:

- Transparency for the participants in the standard selection process
- Voluntary participation
- No significant price increase or choice reduction
- The autonomy of each company in setting prices.
- The freedom for all participants to adopt stricter standards.
- The absence of exchanges of commercially sensitive information.



Reading tips:

- [The press release on The Belgian Competition Authority about the sustainability initiative on 'living wages in the banana sector'](#).
- [The Dutch competition authority offers a 'samenwerk check' that helps you determine whether you can cooperate or not at Samenwerkcheck | ACM.nl](#)
- [Some more examples of sustainability agreements:](#)
 - [Informal guidance TruStone Initiative | ACM.nl \(2025\)](#)
 - [Informal guidance of collaboration between asphalt producers | ACM.nl \(2024\)](#)
 - [Informal guidance of collaboration between banks with regard to sustainability reports | ACM.nl \(2024\)](#)
 - [Informal guidance of the 'recycling of coffee capsules' initiative | ACM.nl \(2024\)](#)
- [Open Supply Hub](#). On this platform, companies are facilitated to transparently share with whom they are working. The platform aims to collectively map all of the world's production locations, which allows companies to identify who else is sourcing from the same locations.



Summary

This chapter showed the different ways in which cooperation with peers can improve the payment of wages and incomes in the supply chain. There are many multistakeholder initiatives out there that can help companies on their journey. Companies sometimes fear cooperation with competitors, but this section also has shown that a lot is possible.

Checklist Responsible Procurement & Supplier Engagement

Leadership and commitment

- There is a clear and concrete top-level commitment to responsible business conduct.
- The top-level leadership understands that the procurement department plays a key role in addressing social and environmental risks.
- Internal and external stakeholders are involved in the company's policies and procedures on responsible business conduct.

Strategy and governance

- There is an understanding within the company of what responsible procurement is, why it is important, and how it aligns with the strategy and values of the company.
- The guidance on responsible procurement is aligned with the company's policies on responsible business conduct.
- Roles and responsibilities between departments are well defined.
- People from different departments regularly meet to discuss responsible procurement.
- There is a clear procedure for identifying and addressing social and environmental sustainability risks in the company's value chains.

Measurement and accountability

- There are clear targets and KPIs on responsible procurement.
- KPIs between all departments are aligned and support the overall commitment to responsible business conduct. Capacity building and awareness
- The procurement staff is made aware of how their decisions impact people elsewhere, for instance via internal training.
- The procurement staff has the competencies and tools to address sustainability topics with suppliers.
- There is an awareness of organisations that can help to address topics in the value chain that might be sensitive.

Supplier engagement and fair pricing

- Long-term relations with strategic suppliers are set up.
- Prices cover the costs of the suppliers, for instance by using open-cost methods or price and wage benchmarks.
- Prices are re-evaluated frequently.
- There is no negotiation about labour costs – they are protected for example via ring-fencing.
- Suppliers are connected with each other to enhance collaboration.

Joining forces for impact

- Concrete projects are implemented to improve environmental and social conditions.
- Participation in leading multi-stakeholder initiatives is initiated/maintained.

This practical guide is part of the knowledge and learning agenda of the Subsidy Programme for Responsible Business (SPVO) of the Netherlands Enterprise Agency and is executed on behalf of the Ministry of Foreign Affairs. This booklet is mainly based on the experiences of projects under the Fund and is by no means meant to be exhaustive.

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