The C☕FFEE Project
Cooperation On Fair, Free, Equitable Employment

Framework for Independent Verification

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Framework for Independent Verification

Introduction

This tool is one of 12 tools comprising the Socially Sustainable Sourcing Toolkit (S3T), which was developed as part of Verité's Cooperation on Fair, Free, Equitable Employment (COFFEE) Project through generous funding from the US Department of Labor's Bureau of International Labor Affairs (USDOL-ILAB). The S3T was developed in alignment with USDOL's *Comply Chain* model, with at least one tool created for each of the eight steps of *Comply Chain* (see graphic below). The tools can be used *a la carte*, but it is important that companies have systems and tools in place for each step of *Comply Chain*.

STEPS OF COMPLY CHAIN AND CORRESPONDING TOOLS

STEP 1. Engage stakeholders and partners
Tool 1. Guidance on stakeholder engagement

STEP 2. Assess risk and impacts
Tool 2. Coffee sector Risk Map
Tool 3. Root cause analysis of labor violations in the coffee sector

STEP 3. Develop a code of conduct
Tool 4. Sample code of conduct clauses
Tool 5. Sample social responsibility agreement
Tool 6. Guidance on recruitment-related risks

STEP 4. Communicate and train across supply chain
Tool 7. Guidance on communicating objectives and standards across the supply chain

STEP 5. Monitor compliance
Tool 8. Guidelines on monitoring for certifiers and monitors
Tool 9. Self-assessment questionnaires for traders, producers, and labor brokers

STEP 6. Remediate violations
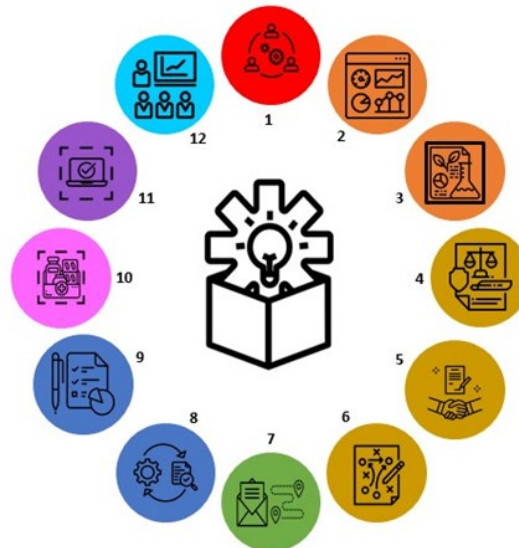Tool 10. Framework on preventing and remediating labor violations

STEP 7. Independent review
Tool 11. Framework for independent verification

STEP 8. Report on performance
Tool 12. Guide on public reporting for private sector stakeholders

Introduction to the Tool

Increased expectations from clients and consumers, coupled with expanding regulations on ethical sourcing in supply chains can create challenges for coffee companies, but also presents opportunities for companies willing to differentiate their business models and ethical sourcing practices. This guide proposes a simple framework for a voluntary independent verification system for coffee companies willing to leverage transparency and accountability as an integral part of their ethical sourcing practices and systems. If well-implemented, the framework will nurture innovation that can create a competitive advantage for the company and its supply chain partners.

Background

Integration of social issues into sourcing strategies represents a new frontier in global supply chain management, and several challenges to implementing socially responsible sourcing strategies.[1] Even in the face of these challenges, responsible and ethical sourcing practices becomes a must for coffee companies not only because it is the right thing to do, but also because the new paradigm of "creating economic value in a way that also creates value for society by addressing its needs and challenges" is also good for companies' overall profitability.[2]

The Framework for Independent Verification is deeply rooted in monitoring and measurement best practices that will help coffee companies align their social sustainability strategy with stakeholders' needs and expectations. The Framework for Independent Verification focuses on developing and implementing socially responsible supply chain and sourcing practices, along with key indicators and data collection and processing strategies. Overall, these practices will ensure that the sourcing strategies of your company and upstream suppliers are more socially sustainable.

A key consideration is that your company can also leverage existing experiences and practices being implemented by the company and its partners, prioritizing those that have resulted in the greatest impact in addressing human rights and labor violations in your supply chains, and at the same time, creating a more sustainable business environment.

Framework for Independent Verification

The framework for independent verification looks to provide companies with guidance on the creation of a socially sound and reliable business model, that helps companies achieve financial success while addressing and minimizing labor risks in their sourcing operations. The corresponding process relies on the creation of an

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enabling context that facilitates the prioritization of key stakeholder groups, creating targeted channels for communication and engagement, and leveraging dialogue.

The Framework for Independent Verification is not intended to be a thorough and detailed tool, but instead provides companies with high-level guidance on managerial approaches to monitoring impacts and leveraging accountability to stakeholders on social issues.

Graphic 1. Framework for Independent Verification of Social Sustainability in the Coffee Sector. Adapted from Gualandris, J. et al., 2015.
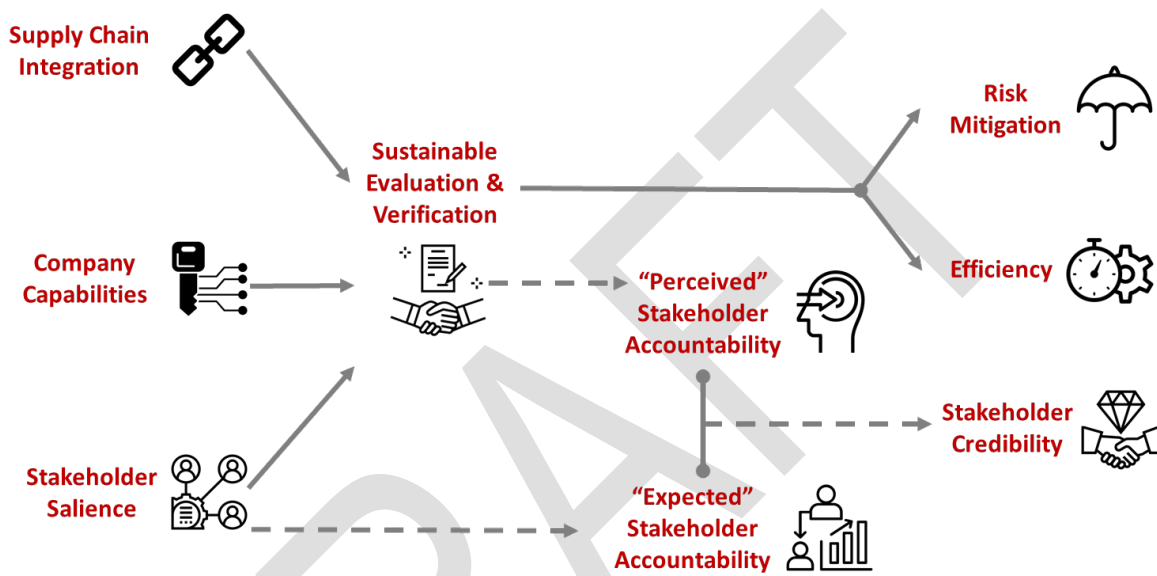
The framework will provide the building blocks for developing an independent verification system based on this general model, with a focus on *sustainable evaluation and verification*, which is composed of three key elements: monitoring, assessment & verification, and accountable learning. The Framework needs to be adapted to companies' business models, and to their sourcing and sustainability priorities.

I.   Monitoring Coffee Supply Chains: materiality and benchmarks

A good monitoring system should provide timely and accurate data related to company sustainability commitments. This requires the development of methodologies to assess current conditions or outcomes, as well as the effectiveness of any corrective actions that may be required to address non-compliances and fulfill company commitments. Methodologies should be gender- and rights-sensitive; that is, they should be able to detect how activities and operations might differentially affect women, children, and vulnerable and marginalized groups such as migrants, ethnic or religious minorities, and farmworkers (AFi, 2020).

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Materiality can be defined as *a process for defining the topics/issues that are relevant to a company*, i.e. that could affect or improve the ability of the company to create shared value and generate positive impacts (GRI, 2018). If labor violations like child labor or forced labor are relevant categories in your sustainability agenda, they may be considered "*material topics.[3]*" Further details on materiality and the procedures for defining material topics are described in detail in the *Guidance on Public Reporting for private sector stakeholders*.

A **baseline** is defined as *the starting point used for comparisons* (GRI, 2018). In practical terms it also useful to use the term **benchmark**[4] that allows to clarify the importance of defining references (e.g. key performance indicators) to measure the expected impacts related to a company's goals and/or commitments, including those related to social sustainability. This starting point is also a best practice in data collection, so it is usually recommended to define key performance indicators, anticipating data collection needs (and procedures). This will help to ensure that the data collected is as relevant and trustworthy as possible, and can adequately inform the development and implementation of decision making processes for the company and partners.

If the baseline or benchmark definition is properly designed and implemented, monitoring and coordination with partners on data collection would be easier, facilitating the detection of non-compliances on the labor topics defined, and illuminating trends on impacts that will generate contextual information and qualitative narratives that can be triangulated with quantitative indicators, independent research, and secondary sources of information. These activities are described further below:

a. **Step 1-Baseline Assessment/Benchmarks Definition:** Data on material topics and social sustainability strategies should be collected at the time that supply chain operation(s), sourcing regions, and/or supplier(s) are first monitored. Baseline data should ideally be enriched with a historical & retrospective analysis,[5] and specialized research on labor violations, as needed, to create a clearer picture of the social impacts of business operations that can inform management systems and decision-making processes. This will help companies to develop firmer commitments to social sustainability on the material topics that are aligned with their busines and sustainability strategies. For additional orientations on baseline assessments and key performance indicators definition, see *the Guide on Public Reporting for Private Sector Stakeholders*.

    • **Detection of labor rights violations:** The baseline assessment should be designed to be able to identify labor violations in workplaces in company supply chains, or existing practices that contribute to a high level of labor risk, such as the use of unscreened/unmonitored labor brokers (see the *Recruitment-related risks and red flags in the coffee sector* to for more information). Baseline assessments should also

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assess current wage levels, piece-rate payment schemes, health and safety conditions, accident records, and other information that provides a baseline snapshot of compliance and risk levels.

b. **Step 2-Materiality and Strategic Prioritization:** Materiality is about prioritization. Coffee companies and supply chain partners committed to implementing best practices in ethical sourcing and responsible business operations need to first establish clear priorities and foundations for the development of their social sustainability strategies. Prioritization also allows companies to internally align on key topics to focus on initially, increasing the complexity and depth of commitments and social agendas based on the results and learnings from initial actions. Because material topics influence social sustainability agendas, they are considered strategic. Further guidance on how to define material topics is included in the *Guidance on Public Reporting* tool. The *materiality template* and *boundary test matrix*, coupled with *the eight reference questions for materiality assessment,* should be more than enough for a solid definition of your company's key commitments and priorities.

c. **Step 3-Monitoring System:** Data collection should be suitable for evaluation and analysis of the material topics identified. Companies should consider how and by whom the data and narratives should be provided and the necessary checks and balances to ensure accurate and reliable data sets. Recommended best practices for effective monitoring are summarized below (adapted from AFi on M&V, 2020):

- Monitoring should be of adequate *frequency and intensity* to provide meaningful data:
  - o Consider whether a specific country or region has one or two crop cycles and the specific duration of each harvest season.
  - o Identify the presence and characteristics of potential human rights and labor risks, including differences between sourcing regions.
  - o Consider the past performance of suppliers as an indicator of potential risks.
- Tools and monitoring approaches should be tailored to coffee production, the context of the supply chain (e.g. sourcing region or type of farm), and the material topics identified and assessed.
  - o Consider that social sustainability is an evolving field with innovative tools and approaches continually being developed, tested, and introduced. Therefore, companies should stay abreast of the evolving landscape.
  - o In addition to your company's material priorities, incorporate relevant metrics base on government policies,

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local stakeholder priorities, and sector-wide initiatives aligned with your social sustainability agenda.

- o The monitoring system should include a gender perspective, considering the roles of women and girls, and the potential impacts of interventions on them.
- Monitoring should cover all of the operations and/or suppliers involved in the supply chain, and provide for appropriate representation (e.g. higher sampling intensity in higher risk areas).
- The monitoring system should include procedures for the use of information generated to inform decision-making, including among management and sourcing teams, both within the company and among suppliers.
  - o Information should be used to encourage continuous improvement and improvement of internal and supplier management systems, procurement decisions, remediation of non-compliances, strengthening the social sustainability agenda, and proactively identifying and mitigating labor risks.
- Monitoring systems should support effective reporting and disclosure related to supply chain compliance and performance. Data and reports should be made available to support verification processes and should be disclosed to supply chain stakeholders or the general public. To further explore data used for internal learning and reporting, please refer to the *Guidance on public reporting* tool, and for orientation on how to involve stakeholders in these dialogues, please see the *Guidance on stakeholder engagement* tool.

II. Assessment and Verification: salience, credibility, and legitimacy boundaries

Independent verification can be seen as part of coffee company quality assurance procedures and continuous improvement approaches. The Framework for Independent Verification process is thus not only a compliance process but also a relevant tool for business operations performance and overall management strategy on social sustainability and ethical sourcing practices.

Three key criteria must be properly met to guarantee a reliable and successful *independent verification procedure*:

1. **Salience:** Refers to the relevance of the information to an actor's decisions, or the choices that affect a given stakeholder. Independent verification procedures must generate information that is valuable not only to companies but also to key stakeholders that have diverse perspectives and priorities. The alignment of perceptions with stakeholder expectations is of paramount importance.

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2. **Credibility:** Refers to whether an actor perceives information as meeting standards on accuracy. Datasets and other sources of information must be deemed trustworthy, along with the conclusions drawn from these sources. Credible independent verification procedures require leverage from experts and ideally must be based on standard and recognizable procedures.

3. **Legitimacy:** Refers to whether an actor perceives the process in a system (in our case, the Framework for Independent Verification) as unbiased and meeting standards of political and procedural fairness. Legitimacy involves the belief that the Framework for Independent Verification and related systems are "fair" and considerate of appropriate values, interests, concerns, circumstances, and stakeholder perspectives. A key consideration of legitimacy is who is or is not involved in the development and implementation of independent verification procedures and related decision-making processes. The process must be respectful of stakeholder views, concerns, and perceptions of procedural fairness.

The three criteria are mutually dependent and reinforce each other; the proper balance will be based on managerial and strategical decision-making processes related to companies' business operations and sustainability strategies. Considering this, managers might better invest more resources in proactively reflecting on the differences among different stakeholder groups' expectations and informational needs.[6]

Furthermore, it is important to highlight that this broader engagement strategy is highly dependent on, and guided by, the materiality assessment. That said, fear of backlashes on accountability exercises is usually managed via defensiveness and limited or "targeted" inclusivity. Dialogue guided by broader stakeholder engagement can create the structure and clarity needed for the identification of social issues in the supply chain before they become critical, facilitating the understanding and perspectives of stakeholders on what needs to be done to adequately implement the independent verification procedures.[7]

Coffee companies should establish verification mechanisms that document levels of compliance and progress relative to company commitments, and that provide the necessary level of assurance both for internal management and for external stakeholders. This may include one or more of the following three types of verification, which are classified based on the relationship between the company and the verifying party:

- First-party verification is conducted by the company itself, although it should be implemented by personnel not involved in the management of the operations being verified.

- Second-party verification is conducted by a related entity with an interest in the company or operation being assessed, such as a customer or a contractor that also provides services other than verification.

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- Third-party verification is conducted by an independent entity that does not provide other services to the company. Third-party verification may be conducted either through or outside of a certification program.

Steps in the verification process

1. **Planning phase:** The company and the independent verifier (i.e., an audit team) agree on the verification scope and objectives, the level of assurance being asked for by the company, and to whom the audit team will report.
2. **Scoping phase:** The audit team designs the audit through activities including:
    a. Identification of stakeholders to engage
    b. Noting any limitations on access to key stakeholders, potential impacts of such limitations on the validity of the audit, and strategies for obtaining accurate information despite these limitations
    c. Inviting stakeholder input on issues of concern on which the audit should focus
    d. Reviewing background materials, including information furnished by the entity being audited, as well as contextual information
    e. Conducting a root-cause analysis to understand the issues that may underlie social or environmental risks or non-compliances
    f. Defining the characteristics necessary for a high-quality audit
    g. Scheduling and organizing the audit, including the selection of sites to visit and persons or groups to interview, in accordance with an appropriate sampling method
3. **Implementation phase:** The auditor conducts the audit, including document review, site visits, management and worker interviews, and stakeholder consultation.
4. **Post-implementation phase:** The auditor develops the post-audit report and summary, which includes information such as the scope of the audit, the groups engaged, company management systems, risk analysis, strengths and weaknesses concerning company commitments, non-compliances, and any required or recommended corrective actions needed to achieve compliance. The auditor and management discuss the audit findings. Stakeholders identified are invited to submit comments on the audit findings.
5. **Follow-up phase:** The company uses the audit results to act and maintains open communication channels to promote continuous stakeholder engagement. Workers and other stakeholders are provided with the auditors' contact information to report any new issues that arise, or relevant information that becomes available. The company and auditor schedule subsequent audits, as needed, to assess compliance, follow up on prior non-compliances and recommended corrective actions, and address issues of concern that may have arisen since the last audit.

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III. Accountable Learning: knowledge management and reporting

Inclusive independent verification procedures can create a learning process for coffee companies, supply chain partners, and other relevant stakeholders, triggering a feedback loop that foments understanding and adjustments of perceptions on complex social issues like child labor and forced labor. This can help to shape business operations, brand perceptions, and the quality of auditing and accountability processes related to sustainability.[8]

A learning agenda (see template 1), is a best practice recommended for action-oriented, innovative quality assurance programming. It is simple to implement a learning agenda, and doing so facilitates the connection of monitoring systems with tangible products (e.g. sustainability reports or communication pieces) and adaptive management strategies of business operations and the sustainability agenda.

Template 1. Basic learning agenda template.

COMPANY LOGO HERE	**COMPANY NAME** Learning agenda	A learning agenda is a set of questions that identifies what needs to be learned before a project can be planned and implemented. A learning agenda often has three major parts: a set of learning questions, a series of activities to answer them, and a plan to share and disseminate the information.				
Objective:	Capture insights from our social sustainability agenda that will help…company name…and partners/stakeholders to better understand our impact and overall performance.					
No.	**Key learning questions** *What are the key questions to:* *a) Explore, challenge, or validate the hypotheses and underlying assumptions?* *b) Fill gaps in our technical evidence base? Improve our capacity?* *c) Create systemic impact?*	**Component/Activity** *(Refers to COFFEE &/OR Verité's interventions)*	**Level of use** *Refers to the level (activity, project or strategy) in which learning will be used*	**Learning activities** *What activities will we implement to answer these learning questions?*	**Product** *How do we plan to share/disseminate our learning?*	**Priority (from 1 to 5).** *Single & unique choice.*
1						
2						
3						
4						
5						

Verification serves to assess and validate the findings of monitoring processes and other information related to the social and environmental outcomes of commodity production. Verification is well-established as an important component of responsible supply chain implementation systems, including voluntary certification programs, sector initiatives, and others.

Reporting best practices and strategies are described in greater detail in the *Guidance on Public Reporting tool*. An important consideration is that Social Reporting may be considered as an accountability and engagement strategy for

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dialogue with relevant stakeholders that could improve managerial and sustainability decision-making process.

Next Steps

The Framework for Independent Verification described is summarized below:

1. Sound monitoring of coffee supply chains: what cannot be measured cannot be verified. If your company commits to addressing social issues, the first step is to create a simple, yet effective monitoring system. A good monitoring system should provide timely and accurate data to inform decision-making processes and progress on overall business and sustainability strategies.
2. Assessment and verification: Salience, credibility, and legitimacy are the key building blocks of reliable independent verification procedures. Companies do not operate in a vacuum, and the best strategy for successful verification begins with the identification of clear priorities related to social sustainability and consistent and open dialogue with stakeholders.
3. Accountable learning: Monitor your supply chain, learn with your supply chain partners, and share your learnings with a diverse group of stakeholders in order to promote innovations in social sustainability. Report your findings to consumers and other relevant stakeholders, productively responding to negative feedback as a driver of inclusivity and trust-building and improving your brand identity.

The Framework for Independent Verification is focused on the creation of a sound monitoring system to gather key metrics, collect and process data for information generation, and verify data reliability through a strong materiality analysis and consistent reporting for continuous learning with a company's stakeholder base.

The implementation of this Framework for Independent Verification would be improved if used jointly with the following additional tools from the S3T:

- *Guidance on stakeholder engagement*: Includes guidance on implementing a materiality assessment (i.e. social topic prioritization) and other best practices on high-quality stakeholder engagement.
- *Root causes analysis of labor violations in the coffee sector*: Provides guidance on identifying and addressing the root causes of labor issues in coffee supply chains. Could provide valuable information if coupled with a baseline assessment.
- *Self-assessment questionnaires for traders, producers, and labor brokers*: Help to identify potential labor risks and areas for improvement of labor standards and management systems through a self-assessment.
- *Guide on public reporting for private sector stakeholders*: Provides insights on accountability and communication strategies for company social agendas, monitoring efforts, and social reporting.

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For companies or organizations interested in exploring independent verification strategies in more detail, we are including some references that informed this document and provide further details and perspectives on the subject:

- O'Rourke, Dara. "The science of sustainable supply chains." Nature, vol. 344, no. 6188, June 2014, pp. 1124-1127.
- Porter, Michael E.; Kramer, Mark R. "The big idea: creating shared value." Harvard Business Review, vol. 89, Jan-Feb 2011, pp. 62-77.
- Cash, David.; et al. "Salience, credibility, legitimacy and boundaries: linking research, assessment and decision making." Harvard School of Government, working paper RWP02-046, 2002.
- Gualandris, Jury; et al. "Sustainable evaluation and verification in supply chains: aligning and leveraging accountability to stakeholders." Journal of Operations Management, vol. 38, July 2015, pp. 1-13.
- Accountability Framework Initiative-AFi. *Operational Guidance on Monitoring and Verification*. March 2020.
- Global Reporting Initiative. *Standards Glossary*. 2018.
- Flood, Mark D.; et al. "The application of visual analytics to financial stability monitoring." Journal of Financial Stability, vol. 27, December 2016, pp. 180/197.
- Manetti, Giacomo; Toccafondi, Simone. "The role of stakeholders in sustainability reporting assurance." Journal of Business Ethics, vol. 107, 2011, pp. 363-277.
- Perego, Paolo; Kolk, Ans. "Multinationals' accountability on sustainability: the evolution of third-party assurance of sustainability reports." Journal of Business Ethics, vol. 110, 2012, pp. 173-190.

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Endnotes

[1] O'Rourke, Dara. "The science of sustainable supply chains." Nature, vol. 344, no. 6188, June 2014, pp. 1124-1127.

[2] Porter, Michael E.; Kramer, Mark R. "The big idea: creating shared value." Harvard Business Review, vol. 89, Jan-Feb 2011, pp. 62-77

[3] Material Topics refers to those *topics* that can be reasonably considered important for reflecting on an organization's impacts (social impacts in our case, but also covering economic and environmental impacts) or influencing stakeholders' priorities. A topic can be relevant – and therefore material – based on these dimensions. More details can be found at the GRI 101: Foundation.

[4] A standard or point of reference against which thing may be compared.

[5] Retrospective analysis is a technique to uncover what is working well for a company and what is not. By incorporating this historical examination in the baseline, companies can reflect on the evolution of their strategies, helping to surface bottlenecks before they become problems. Historical analysis can also be used to strengthen corporate strategy and data analysis. Further details can be found in this HBR article and the IBM garage.

[6] Gualandris, Jury; et al. "Sustainable evaluation and verification in supply chains: aligning and leveraging accountability to stakeholders." Journal of Operations Management, vol. 38, July 2015, pp. 1-13.

[7] Manetti, Giacomo; Toccafondi, Simone. "The role of stakeholders in sustainability reporting assurance." Journal of Business Ethics, vol. 107, 2011, pp. 363-277.

[8] Perego, Paolo; Kolk, Ans. "Multinationals' accountability on sustainability: the evolution of third-party assurance of sustainability reports." Journal of Business Ethics, vol. 110, 2012, pp. 173-190.

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