



Best Practice Guide

Creating a Supplier Code of Conduct

Supplier codes of conduct are created to ensure that a company's suppliers enforce safe working conditions, that their workers are treated with respect and dignity, and that their manufacturing processes are environmentally responsible.

Why have a Supplier Code of Conduct?

Having a Supplier Code of Conduct is important because it:

- Can be a source of competitive advantage for companies
- Can help avoid brand damage that occurs as a result of exposure of an environmental or human rights violation at a supplier's site.

Supplier Codes of Conduct are commonly found in the apparel, toy, and electronics industries and are of special importance if your company sources a majority of its products from countries where enforcement of environmental and labor law are not stringent.

The most common components of most supplier codes are:

- **Labor Standards and Practice**
This includes working hours, freely chosen employment, compensation, child labor, freedom of association, non-discrimination, and health and safety
- **Environmental Policy**
This includes use of materials and product and transport technology
- **Documentation and Review Policy**
Information on how the code will be monitored and reviewed

Important International Environmental and Labor Standards

The labor standards found in many supplier codes of conduct are derived from the standards set forth in the following international standards:

- [UN Global Compact](#)
- [UN Universal Declaration of Human Rights](#)
- [International Labor Organization \(ILO\) International Labor Standards](#)

At a minimum the environmental standards set out in many supplier codes of conduct require companies to adhere to the laws of their own country.

There are two international sets of standards covering social and environmental issues:

- **ISO 14000** is a series of international voluntary standards and guidelines around environmental management systems, eco labeling, environmental auditing, environmental performance evaluation, environmental aspects in product standards, and life cycle assessments.
- **SA 8000** is an international standard for decent working conditions including: child labor, forced labor, workplace safety and health, freedom of association and right to collective bargaining, discrimination, discipline, remuneration, working hours, and HR management systems.

Your company may choose to regard these standards as best practice guidelines or choose to have your supplier factories certified according to these standards.

Developing a Supplier Code of Conduct

Assess your company's supply chain risks:

1. Where do you source your manufactured products from?
2. What are the reputations of the region's/countries in terms environmental and human rights enforcement?
3. Do you manufacture products that require the use of toxic chemicals?
4. Do the methods that are being used to produce your products conflict with the stated social or environmental objectives of your company?

Consult with your suppliers and other companies in your industry about their supplier codes:

If your suppliers are already working with other customers who have a supplier code of conduct, your company may want to adopt similar policies to make implementation of the code easier for your suppliers.

Develop your own Supplier Code of Conduct based on your findings on industry standards:

- [Ethical Trading Initiative Base Code](#)
- [Electronic Industry Citizenship Coalition](#)

Implementing and Monitoring a Supplier Code of Conduct

Developing a plan to implement your Supplier Code of Conduct and monitor the performance of your suppliers is more important than simply having a Supplier Code of Conduct.

Your supplier's willingness to adopt your Supplier Code of Conduct may depend on:

- The degree to which you consulted your suppliers during the development of your Supplier Code of Conduct
- The volume of products that you order from your supplier
- The demands of your supplier's other customers in this area

Depending on your company's budget and your assessment of the risk that your suppliers are engaging in practices that violate your company's Supplier Code of Conduct, your options for monitoring your Code of Conduct range from (listed in ascending order of effectiveness):

- Self-audits by your supplier
- Site visit by an internal team
- Site visits by an external consultant

What to do if you discover a violation of your code

Your company should have a policy prepared prior to conducting an audit on how it wants to handle any violations of your code of conduct that are discovered. These policies should be communicated to your supplier prior to your first audit.

Two important issues to consider are:

1. The consequences for your supplier of a violation. Consequences to consider are:
 - Under what circumstances you would stop working with a supplier
 - How long a supplier has to remedy a problem that is discovered
 - Whether or not your company or audit firm wants to play an active role in helping your supplier solve the problem that led to the violation
 - What happens if there is a repeat offense
2. The level of transparency that you want to have with the public about any violations that are discovered.

Endnotes:

- 1 <http://www.fairlabor.org/>
- 2 <http://www.sa-intl.org/>



B Lab is a non-profit organization dedicated to using the power of business as a force for good. Learn more at:

www.Bcorporation.net
www.Bimpactassessment.net
www.B-Analytics.net
www.Benefitcorp.net
www.Bthechange.com