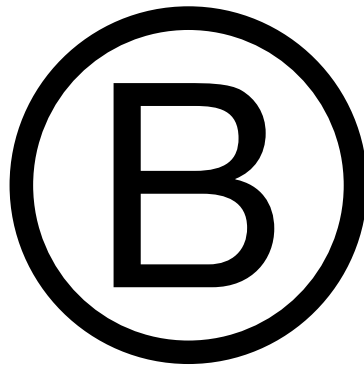


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B Resource Guide:
Supplier Codes of Conduct



B Resource Guide: *Supplier Codes of Conduct*

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I. Definition: What is 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.

The most common components of most supplier codes are:¹

A. Labor Standards and Practice

- This includes: working hours, freely chosen employment, compensation, child labor, freedom of association, non-discrimination, and health & safety

B. Environmental Policy

- This includes use of materials and product and transport technology

C. Documentation and Review Policy

- Information on how the code will be monitored and reviewed

II. Why Create a Supplier Code of Conduct?

Properly developed and implemented, supplier code of conducts can be a source of competitive advantage for companies and perhaps more importantly can help companies avoid the brand damage that occurs as a result of the discovery 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 developing countries where enforcement of environmental and labors law are not as stringent as in the US.



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III. Important International Environmental and Labor Standards

The labor standards found in many supplier codes of conducts are derived from the standards set forth in the UN Global Compact, the UN's Universal Declaration of Human Rights, and the International Labor Organization (ILO). 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** (http://www.iso.org/iso/iso_14000_essentials)

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** (<http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=473>)

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 factories certified according to these standards.

IV. Developing a Supplier Code of Conduct

I. Assess your company's supply chain risks

- Do you source products manufactured in developing countries? What are the reputations of these countries in terms environmental and human rights enforcement?
- Do you manufacturer products that require the use of toxic chemicals?
- Could the methods that are being used to produce your products at odds with the stated social or environmental objectives of your company?

2. 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 supplier(s)

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

- Suggested templates for labor practices:
 - ETI Base Code (http://www.ethicaltrade.org/Z/lib/base/code_en.shtml)



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- FLA Workplace Code of Conduct (<http://www.fairlabor.org/conduct>)

V. Implementing and Monitoring a Supplier Code of Conduct

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

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:**

- If you choose this option, your company may want to develop a check-list for your suppliers to use. Visit this site to view a checklist developed by the Danish Institute for Human Rights (www.csrkompasset.dk/DI/media/Audit_Checklist.pdf)

- **Site visit by an internal team**

- Another must read is the Fair Labor Association's Monitoring Guidance and Compliance Benchmark guide. This guide makes recommendations on how to approach management and employees at the sites you visit (www.fairlabor.org/?module=uploads&func=download&fileId=439)

- **Site visits by an external consultant**

There are three major US based players who oversee factory/farm inspections:

Organization: Social Accountability International (SAI)

Web Address: www.saintl.org

Accredited List of Certifiers: <http://www.saasaccreditation.org/accredcertbodies.htm>

Points of Interest: Manage to the SA 8000 standard. Multi-industry focus.

Organization: Fair Labor Association (FLA)

Web Address: www.fairlabor.org

Accredited List of Certifiers: <http://www.fairlabor.org/about/monitoring/accredmon>



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Points of Interest: Focus on footwear and clothing.

Organization: Transfair

Web Address: www.tranfair.org

Points of Interest: Commodity products like coffee, tea, chocolate, and flowers.

When choosing a company to certify your factories, it is important to consider both the regional and industry expertise of the certifier.

SAI also offers services to help companies establish a code of conduct at their company. These services include:

Program: Introductory

Price: \$3000 annually

Benefits: SAI Handbook "How to Implement a Responsible Supply Chain", SA8000 Certified Supplier Database, Online Corporate Self-Assessment Tool

Program: Explorer

Price: \$5000 - \$37000 annually

Benefits: Introductory services plus: Executive Overview Training, 20% Discount on Training and Publications, Additional Reporting Services, etc.

Program: Signatory

Price: \$12000 - \$77000 annually

Benefits: Explorer level services plus: Use of the SA8000 logo and access to an in-depth Corporate Assessment Program

VI. 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:

I. The consequences for your supplier of a violation

Consequences to consider are:

- i. Under what circumstances you would stop working with a supplier
- ii. How long a supplier has to remedy a problem that is discovered



The gap set a new standard for transparency in its 2003 social responsibility report by disclosing violations to its Vendor Code of Conduct



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- iii. 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
 - iv. 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

VII. Helpful Websites and Resources

- **Assurance for a Sustainable Supply Chain, FEE Discussion Paper**

This white paper written by Europe's leading accountancy organization outlines the process of setting up a sustainable supply chain.

<http://www.fee.be/fileupload/upload/FEE%20DP%20Assurance%20for%20a%20Sustainable%20Supply%20Chain%20050630620051934.pdf>

- **WebMils (Monitoring International Labor Standards)**

WebMils is a project of the US Department of Labor. The WebMils database contains information about pertinent per country labor compliance issues http://www.dol.gov/ilab/webmils/about_webmils.htm

- **Electronic Industry Code of Conduct**

Code of Conduct developed by major players in the electronics industry like Dell, Adobe, Apple, and HP

http://www.eicc.info/downloads/EICC_English.pdf

- **Principles of Monitoring**

Guidelines compiled by the Fair Labor Association on monitoring of supplier code of conducts

http://www.fairlabor.org/docs/FLA_PRINCIPLES_OF_MONITORING.pdf

¹ Assurance for a Sustainable Supply Chain, FEE Discussion Paper, June 2005,

<http://www.fee.be/fileupload/upload/FEE%20DP%20Assurance%20for%20a%20Sustainable%20Supply%20Chain%20050630620051934.pdf>