Social Responsibility Best Practices

SUBJECT		LAST UPDATE
Social Responsibility Policy for Suppliers		July 2019

APPLIES TO	FOCUS ON
· Suppliers	Creating A Supplier Social Responsibility Policy

QUICK LINKS

- PPAI Social Responsibility: https://www.ppai.org/corporate-responsibility/social-responsibility/
- QIMA Responsible Supply Chains: https://www.qima.com/responsible-supply-chain
- Fair Labor Association: www.fairlabor.org/

Intended for beginner compliance programs

Italic grey text indicates a hyperlink listed in the Online Resources section of this document.

Overview

A social responsibility policy describes an organization's social responsibility program, vendor requirements and assessment methodology. In addition, it may include an organization's philosophy and policy for good environmental stewardship practices. Each organization will need to assess its own needs in order to determine the best approach for its particular business.

Scope

A social responsibility policy is designed as a practical tool for the implementation of an organization's social accountability and environmental stewardship program at the factory level to ensure that the organization's social accountability and environmental stewardship policies are implemented and monitored to protect the organization and its clients' reputations and brands. It applies to all parties that manufacture, assemble, or distribute any product or package on behalf of an organization.

Risk Assessment

Third-party assessment firms will conduct audits and inspections of an organization's supply chain on the organization's behalf. In addition, before entering new agreements with suppliers, an organization will need to undertake a due diligence process to identify potential risks and act accordingly.

Many of these risks fall into the areas of worker treatment, wages paid and hours worked, environmental responsibility and product safety/quality. These areas of risk will be specifically addressed through the organization's social responsibility program, through training, assessment and remediation.

Elements Of A Social Responsibility Policy

1. Goals and Strategy

Social responsibility is a form of self-regulation by a business entity with the intent of monitoring compliance throughout an organization. The premise is to ensure active compliance with domestic and international regulations, ethical standards, environmental standards and human rights. When embraced and appropriately executed, social responsibility provides a roadmap for an organization's decision-making process and exerts a positive influence throughout the entire supply chain.

2. Statement of Beliefs

A corporate responsibility statement demonstrates to all stakeholders that your company invests in environmental, legal and ethical standards, environmental stewardship, the community.

3. Code of Conduct

This is an organization's tangible representation of what it is doing to meet the expectations of the end buyer for product safety, social and environmental assurances. It is a document a supplier can hand a distributor or distributor hand to an end buyer as a public statement of the organization's environmental, safety and quality commitments. Refer to *PPAI's Code of Conduct webpage for more details* and to *adopt the PPAI Code of Conduct*.

4. Management Systems

- *Monitoring*: An organization manages compliance with a code of conduct through internal and third-party monitoring of its facilities and the facilities of vendor partners.

In order to assess compliance with a code by its vendor partners, an organization or a designated third-party shall as often as possible, ideally once every calendar year, conduct unannounced and/or announced visits of the vendor partner. The monitoring party shall have full access to the manufacturing site/sites, employee housing if applicable, documentation maintained by the vendor partner to assess compliance with the code and access to employees for confidential employee interviews.

- *Implementation:* An organization should require all its vendor partners to contractually obligate themselves to compliance with the code.

- *Corrective Action:* Unsatisfactory monitoring results shall be addressed through corrective action plans (CAPs) and within a time frame agreed upon by the organization and the vendor partner.

- *Non-Compliance:* An organization may reserve the right to suspend any purchase orders and contracts with its vendor partners until corrective actions have been implemented, or to terminate the business relationship if gross non-compliance with the code is determined.

5. Training

Staff training is essential for embedding social responsibility throughout the organization's culture. Training regarding social accountability should be provided to both staff and vendors prior to implementing the program. The training should highlight the areas of risk so as to raise the vendor's awareness of potential risks related to their operations.

6. Monitoring, Remediation and Performance Measurement

Using *PPAI's Social Responsibility Monitoring Best Practice* determine the vendors that will be assessed based on resources available and high priority risks.

If issues arise during the assessment, vendors are expected to remediate them in accordance with the corrective action plan and the time frames established by the organization. Vendors are encouraged to continuously improve their performance by tracking it over time.

7. Reporting and Communication

Provide copies of all applicable assessment reports to the vendor. The vendor is expected to report back with corrective action plans and proof of remediation. Furthermore, all vendors will be required to communicate to their workers the policies, procedures and processes that are described in your policy to ensure consistent and complete implementation of this program.

Governance

Assign the role of compliance officer (or similar title) to the person responsible for administering your organization's program. This representative will have the ultimate responsibility for developing and coordinating the company's overall corporate responsibility efforts. The compliance officer should report directly to the CEO and serve as the main point of contact for social responsibility related issues both for internal and external stakeholders. The compliance officer:

- Oversees the implementation of the code of conduct and delegates relevant roles and responsibilities to other members of staff

- Defines the company's social responsibility goals and strategy to ensure that they are effectively communicated to all staff members

- Manages vendors' social responsibility performance, reviews assessment reports, and follows-up with vendors if corrective actions are necessary

Note: Best practice requires the compliance officer to oversee all responsible sourcing activities (social, environmental and product responsibility) under a singular corporate responsibility program.

Vendor Selection

Ensure every vendor undergoes a due diligence process to benchmark their performance against the code of conduct prior to entering any agreements with them. In addition, regularly monitor your supply chain to ensure the suppliers are in compliance with relevant local laws and regulations.

1. Pre-selection Process

Before entering any business agreements with potential suppliers, ask them to complete a self-assessment questionnaire to measure their performance against the code of conduct. The compliance officer may also use this questionnaire as a checklist upon the first on-site visit to potential vendors. In addition, prospective vendors should be asked to sign a purchase order terms and conditions, inclusive of a clause on compliance with the code of conduct.

2. Vendor Requirements

An organization's social accountability program and code of conduct will apply to all parties that manufacture, assemble, or distribute any product, or package on behalf of the organization.

Provide every vendor with a vendor package which they will acknowledgement receipt of and that they will have to complete, sign and return to assert their willingness to comply with the code of conduct, monitoring program and other requirements.

Vendors should share all the information contained in the vendor package with any contractors the vendor hires to manufacture products, or product parts for the organization's final product. These contractors are also expected to comply with the code of conduct. Vendors will also be required to cooperate with the appointed third-party inspection team, where applicable, and allow access to the facility in order that the team may conduct a full assessment.

Audits

A social responsibility audit will identify areas of concern with regard to facility safety, worker safety, working conditions, waste and human rights. Audits are necessary for ensuring baseline expectations and continuous compliance with stated requirements, typically a code of conduct. Audit criteria can vary greatly. Knowing what policies and procedures you need to implement and what standards to apply will aid in the establishment and continued success of a social responsibility program. Refer to *PPAI's Social Responsibility Audits for Suppliers Best Practice* for more guidance.

Online Resources:

PPAI Corporate Responsibility: https://www.ppai.org/corporate-responsibility/
PPAI Product Safety Frequently Asked Questions: https://www.ppai.org/corporate-responsibility/product-responsibility/product-responsibility-faqs/
PPAI Business Partner QIMA: https://www.ppai.org/members/affinity-partners/#8ed9d94d-cb76-488a-9919-c94f8345d123
PPAI Code of Conduct: https://www.ppai.org/media/1420/sr-code-of-conduct-english.pdf
PPAI Social Compliance Basic Factory Audit Checklist Best Practice: https://www.ppai.org/media/1898/sr-bp-basic-audit.pdf
PPAI Social Responsibility Policy for Distributors Best Practice: https://www.ppai.org/media/1906/sr-bp-policy-for-suppliers.pdf
PPAI Social Responsibility Audits for Suppliers Best Practice: https://www.ppai.org/media/1897/sr-bp-audit-for-suppliers.pdf
PPAI Social Responsibility Monitoring Best Practice: www.ppai.org/inside-ppai/corporate-responsibility/Documents/SR-BP-Monitoring.pdf
PPAI Social Responsibility Corrective Action Plan Best Practice: https://www.ppai.org/media/1900/sr-bp-cap.pdf
United Nations Global Compact: www.unglobalcompact.org/
International Labour Organization (ILO): www.ilo.org/global/lang--en/index.htm
International Organization for Standardization (ISO) 26000: www.iso.org/iso/home/standards/iso26000.htm
Social Accountability International (SAI) SA8000: http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1689

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