

<b>Social Responsibility Best Practices</b>	<b>SUBJECT</b> Pre-Qualifying Assessment Of Vendors/Factories/Suppliers	<b>LAST UPDATE</b> July 2018
	<b>APPLIES TO</b> • Suppliers • Distributors	<b>FOCUS ON</b> Conducting A Vendor Partner Assessment Prior To Engaging In A Business Relationship
	<b>QUICK LINKS</b> <ul style="list-style-type: none"> <li>• PPAI Social Responsibility: <a href="http://www.ppai.org/corporate-responsibility/social-responsibility/">www.ppai.org/corporate-responsibility/social-responsibility/</a></li> <li>• UL Responsible Sourcing: <a href="http://industries.ul.com/responsible-sourcing">industries.ul.com/responsible-sourcing</a></li> <li>• Fair Labor Association: <a href="http://www.fairlabor.org/">www.fairlabor.org/</a></li> </ul>	

**Intended for advanced compliance programs**

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

### Overview

The selection of a socially responsible vendor partner is critical to success. Having the right business partners enhances an organization’s ability to meet the requirements of the code of conduct and protect the supply chain. Conducting a vendor partner assessment prior to engaging in a business relationship provides a look into the current policies and values of the potential vendor/factory.

Vetting suppliers according to social responsibility standards is generally easier to implement for industry distributors than suppliers. This is due to the standard promotional products industry business model of procuring through suppliers. Generally, suppliers have the relationships with factories and distributors do not have complete visibility into the supply chain.

### Pre-Qualifying Assessments

Ensure every vendor goes through a due diligence process to benchmark their current position against the code of conduct prior to entering any agreements. The 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.

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

### Assessment Steps For Current Vendors

1. Group products and materials into appropriate categories.
  - a. Categories for products and materials provide greater visibility into the supply chain which enhances the ability to manage responsible sourcing activities.
  - b. *Result = improved vendor management activities through tighter controls.*
2. Create a list of vendor partners.
  - a. Based on the current understanding of risk, assign current vendor partners to categories based on knowledge of each and data on file.
  - b. *Result = a sound basis for benchmarking through the following steps.*
3. Create a new vendor partner assessment package.
  - a. A pre-qualified vendor base can add value to an organization through risk mitigation, and cost optimization.
  - b. Communicate the organization’s values and expectations through the necessary instructions and documents to become an approved vendor partner.
    - i. Suggested items for a new vendor partner package include: cover letter from senior leadership, corporate responsibility statement, code of conduct, directions for completing documents, checklist of documents provided and documents required, profile questionnaire and a self-assessment questionnaire.
  - c. *Result = reduce risk by engaging with vendors that are reputable and trustworthy.*

4. Ask current vendor partner to complete a self-assessment questionnaire.
  - a. Communicate requirements and expectations to vendor partner's senior management.
  - b. Provide every vendor partner with an assessment package that they will acknowledge receipt of, and that they will have to complete, sign and return prior to receiving orders.
  - c. Communicate the timeline to complete the request and instructions for returning the package and all related documents. Note: If any documents or information submitted are subsequently rejected, the vendor partner will have the same amount of time to respond again.
  - d. *Result = visibility into supply chain.*
5. Benchmark current vendor partner against code of conduct and other social responsibility program requirements.
  - a. Assess risk by creating a mechanism for tracking, maintaining and rating the data obtained through the vetting package.
    - i. Assign a unique number or other identifying convention.
    - ii. Record all information in a database.
  - b. *Result = consolidated view of every vendor partner's compliance status.*
6. Revise list of vendor partners based on assessment and benchmarking results.
  - a. Visibility gained through the benchmarking exercise will guide the process for reassigning categories based on the vendor's current compliance with the organization's social responsibility program.
  - b. Areas of concern can be submitted for corrective action to assist non-compliant vendor partner.
  - c. *Result = improved visibility of compliant vendor partners and opportunity for non-compliant vendors to improve.*
7. Work with vendor partner that needs improvement. Provide clear direction and timelines.
  - a. Use corrective action plans to correct a substandard condition or non-compliance with requirements. Provide the time frame in which the vendor partner will have to implement the corrective action in order to continuing the business relationship.
  - b. *Result = reduced risk through clearly stated expectations and requirements for business partners.*
8. End relationship with vendor partner that cannot meet requirements.
  - a. 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.
  - b. *Result = avoid issues associated with non-compliant vendors.*

### Assessment Steps For Potential Vendors

1. Ask potential new vendor partners to complete a self-assessment prior to engaging in meaningful discussions.
  - a. Before entering into new agreements with vendor partners, an organization will need to undertake a due diligence process to identify potential risks and act accordingly.
    - i. Communicate requirements and expectations to vendor partner's senior management.
    - ii. Provide every vendor partner with an assessment package which they will acknowledge receipt of and that they will have to complete, sign and return prior to receiving orders.
    - iii. Communicate the timeline to complete the request and instructions for returning the package and all related documents. Note: If any documents or information submitted are subsequently rejected, the vendor partner will have the same amount of time to respond again.
  - b. *Result = visibility into supply chain and heightened awareness of possible compliance issues.*
2. Benchmark potential vendor partners against code of conduct and other social responsibility program requirements.
  - a. Assess risk and determine next steps.
  - b. Use tracking mechanism created in Step 5 to maintain data and pre-qualify potential vendors.
  - c. *Result = consolidated view of a potential vendor's compliance status.*
3. Conduct an audit or business review as appropriate.
  - a. In order to assess full compliance with a code by its vendor partners, an organization or a designated third party shall conduct visits of the vendor partner.

- b. 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 compliance with baseline expectations and stated requirements.
- c. Awareness of policies and procedures that need to be implemented.
- d. *Result = mitigated risk and compliant supply chain.*

### Summary

Pre-qualifying vendors adds significant value to the organization in terms of risk mitigation, compliance with requirements, cost optimization, service levels, sustainability, sales opportunities, public perception, brand image and relationship building.

### Online Resources:

**PPAI Corporate Responsibility:** [www.ppai.org/corporate-responsibility/](http://www.ppai.org/corporate-responsibility/)

**PPAI Product Responsibility Frequently Asked Questions:**

[www.ppai.org/corporate-responsibility/product-responsibility/product-responsibility-faqs/](http://www.ppai.org/corporate-responsibility/product-responsibility/product-responsibility-faqs/)

**PPAI Business Partner:** [www.ppai.org/members/affinity-partners/#8ed9d94d-cb76-488a-9919-c94f8345d123](http://www.ppai.org/members/affinity-partners/#8ed9d94d-cb76-488a-9919-c94f8345d123)

**PPAI Code of Conduct:** [www.ppai.org/corporate-responsibility/ppai-code-of-conduct/](http://www.ppai.org/corporate-responsibility/ppai-code-of-conduct/)

**PPAI Social Responsibility Resources:** [www.ppai.org/corporate-responsibility/social-responsibility/social-responsibility-resources/](http://www.ppai.org/corporate-responsibility/social-responsibility/social-responsibility-resources/)

**United Nations Global Compact:** [www.unglobalcompact.org/](http://www.unglobalcompact.org/)

**International Labour Organization (ILO):** [www.ilo.org/global/lang--en/index.htm](http://www.ilo.org/global/lang--en/index.htm)

**International Organization for Standardization (ISO) 26000:** [www.iso.org/iso/home/standards/iso26000.htm](http://www.iso.org/iso/home/standards/iso26000.htm)

**Social Accountability International (SAI) SA8000:** [www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=1689](http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=1689)

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