



SUPPLY CHAIN CODE OF CONDUCT



Think Ahead



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About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **233,000** members and **536,000** future members based in **178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. In December 2020, we made commitments to the UN Sustainable Development Goals which we are measuring and will report on in our annual integrated report. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation.

> FIND OUT MORE



CONSCIOUS BUSINESS PERFORMANCE

About Profit Impact

Profit impact is a B Corp certified management consulting business guiding small and medium sized enterprises to a sustainable future, through education and practical support. We provide CPD accredited education, baseline emission calculations, net-zero strategies and B Corp certification guidance to businesses who want decision making and reporting to consider their triple bottom line impact.

> FIND OUT MORE

Introduction

The imperative and opportunity for SMEs

Small and medium-sized enterprises (SMEs) represent about 90% of businesses – and more than 50% of employment worldwide. Global environmental and social challenges can only be addressed appropriately if the SME sector is fully involved. Larger companies are already required to take specific steps and report on their non-financial performance. And those requirements are gradually cascading to SMEs down the supply chain.

Embracing sustainable change creates significant opportunities for SMEs to reduce costs, attract talent and investment to develop business, provide a point of difference, and improve their brand reputation.

It's therefore important that SMEs understand and engage with a sustainability agenda.

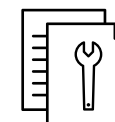


About the series

Our series of practical toolkits, continuing the **SME sustainability series**, is aimed at supporting accountants in SMEs and small and medium-sized practices (SMPs). Accountancy and finance professionals will play a leading role in guiding small businesses through their sustainability journey.

The series consists of three toolkits:

- Mapping your business goals to UN SDGs
- Demystifying environmental management systems for SMEs
- Supply chain code of conduct for SMEs



What is a supply chain code of conduct and how can it help you?



Put simply its:

YOUR SUPPLY CHAIN CODE OF CONDUCT SETS OUT WHAT YOU VALUE AS A COMPANY.

Explains how your business works

It explains how your business works, what's important to your business, and what standards you expect your suppliers to work towards.

Every business has its own set of commitments and it's impractical to expect that your suppliers can adapt their values to match yours. However, your code of conduct will set out your expectations that there is consistency throughout your supply chain.

Impact on your suppliers

If you are a business that's committed to fairly paying your employees, you probably wouldn't want your suppliers to be underpaying their workforce.

Likewise, if you're a business that's working hard to improve your environmental impact, you wouldn't want to support a business that is having a negative impact on the environment.

Never underestimate the impact you can have on your suppliers by laying out your code of conduct.

Opportunity

It's worth considering that large companies regularly ask their supply chains to comply with their code of conduct. And to ensure you are compliant, you need to have compliance from your suppliers. Implementation of a code of conduct gives you an opportunity to take meaningful actions as an SME that make a difference – while also saving you time and effort moving forward.

How does it fit with your professional ethics?

Professional ethics is all about your obligation to society.

This strong ethical foundation can be vital when faced with tough, and complex decisions, or the need to uphold values in the face of peer pressure and financial stress. Accountants have a duty not only to their clients but to society as well. This puts them in an ideal position to help their clients understand how to be accountable to other stakeholders and to position this as an ethical choice, not just a compliance issue contributing to the development of more sustainable businesses.

You're consequently expected to accept and support your profession's public interest obligations.

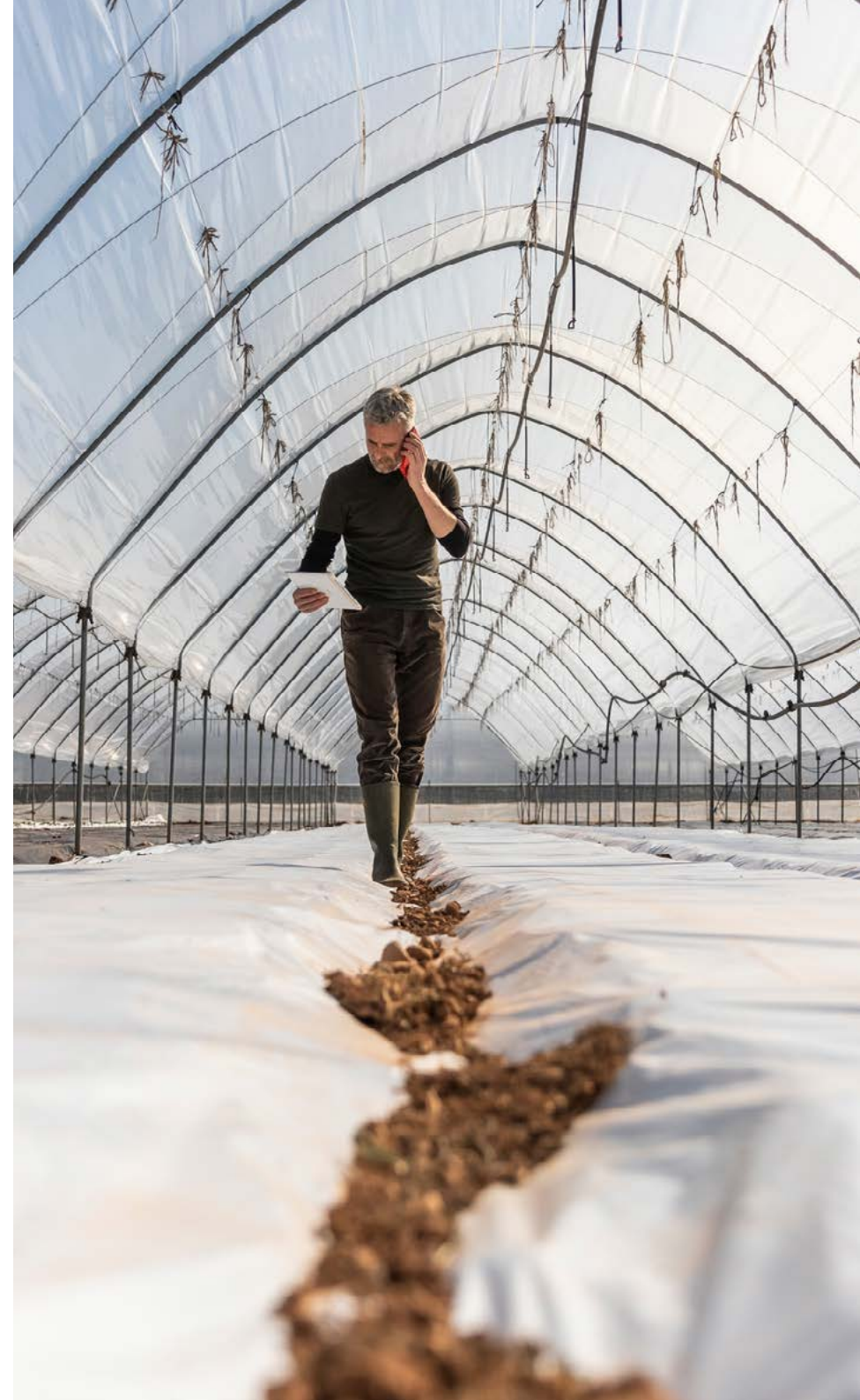
The public can also be defined as your stakeholders, including:

- | | |
|---------------------------|-------------------------------|
| ■ employees | ■ subsidiaries and affiliates |
| ■ customers | ■ local neighbourhoods |
| ■ suppliers | ■ the planet |
| ■ community organisations | ■ investors and |
| ■ the environment | ■ shareholders |



Companies can enhance ethical governance by integrating sustainability principles into their own operations and relationships – allowing for greater transparency, accountability and inclusiveness.

Your supply chain code of conduct plays an important role in your ethical governance.



What are the global regulations for supply chain conduct?

Global supply chain regulations for SMEs are limited to the **International Labour Organisation (ILO)** guidelines. The ILO provides a comprehensive set of legal instruments that establish basic principles and rights at work by setting labour standards to control and prevent violations of labour laws from happening.

However, there is evidence of strengthening supply chain regulation regionally.

Under ESG(environment, social, governance)-related legislation in many countries, larger companies may be required to take particular responsibilities with respect to their global supply chain.

Current mandatory regulation include the **EU Non-financial Reporting Directive**. The directive requires the disclosure of the company's policies on environmental protection, social responsibility, anti-corruption and bribery, treatment of employees, respect for human rights, diversity on company boards, and due diligence procedures throughout the supply chain.

The regulations in place focus on due diligence, on HR or labour law standards within the supply chains – providing annual statements to the public or other reporting requirements; or educating customers on steps taken in respect of supply chain transparency.

For example...

The **Conflict Minerals Regulation**, entered into force on 1 Jan 2021. It requires supply chain due diligence obligations for **EU importers of 3TGs** (tin, tantalum, tungsten and gold) sourced from high-risk areas – aiming to promote responsible sourcing.

The French **Duty of Vigilance/Loi de Vigilance** (2017) requires businesses to put in place a vigilance plan that identifies, assesses and seeks to mitigate human rights – and other risks – for both the business and its supply chains. The plan must be disclosed and non-compliance can result in civil sanctions.

It is also required that a UK supply of goods or services comply with the **Modern Slavery Act (2015)**, – with the important inclusion of Section 54, which requires transparency and disclosure requirements to manage the risks of human rights violations in supply chains.

Similar regulations are seen globally, like the **Australian Modern Slavery Act (2018)** which also focuses on modern slavery transparency in supply chains.

We have examples of improved UK transparency around company director obligations towards stakeholders, as set out under section 172 of the **Companies Act (2006)**. The small business concordat guide from the UK government was created to assume most 'guides' will develop more secure legislation.

What's coming on the regulatory horizon?

Additional international ESG initiatives that will implement or expand these standards are currently being reviewed.

This includes further implementation of the **EU's Action Plan** on sustainable finance and **Germany's National Action Plan** in business and human rights by incorporating a new national Supply Chain Act.

These initiatives aim to respond to international standards, such as those agreed by the UN as well as OECD member states.

Supply Chain Act

The **Supply Chain Act** – drawn from the German Action Plan – is said to come into force on 1 January 2023. Companies should bear responsibility for human rights violations in the supply chain, including environmental risks that can lead to human rights violations. These requirements are enforced with a tough penalty regime of up to 2% of global revenue. There is a likelihood that other countries will match this by implementing a similar ESG focused regulatory framework.

While this Act generally related to companies with around 3,000 workers, it is to be reduced to 1,000 by 2024, and could continue to reduce in smaller businesses.

Global supply chains frequently include multiple layers of suppliers, which may be difficult to trace and therefore regulate. Consequently, large companies are often advised to focus on their first tier of suppliers – requiring small companies to align with certain set of standards withing 2-4 years.



Here is a suppliers code of conduct you can use and adapt to suit your business

Your supply chain is an extension of your business, and you should look for consistency of standards between your company and your suppliers.

What to pledge to your suppliers (an example)



Commit to paying your suppliers and subcontractors within certain timeframe eg 30 days (amend to your payment terms).



To correct matters, give your suppliers notice of any performance issues or opportunities, if appropriate. And communicate that you expect to receive honest feedback on the supplier's performance of the contract.



Your company's code of conduct can set out standards for fair, safe and healthy working conditions – as well as environmental responsibility throughout your supply chain.

What to ask from your suppliers

Setting the requirements for your suppliers is crucial. The standards that you establish can be based on the best practices created by the ILO, local or national legislation, or a combination of all.

International labour standards are a comprehensive set of legal instruments that establish basic principles and rights at work. The goal is to improve working conditions on a global scale.

Code of conduct

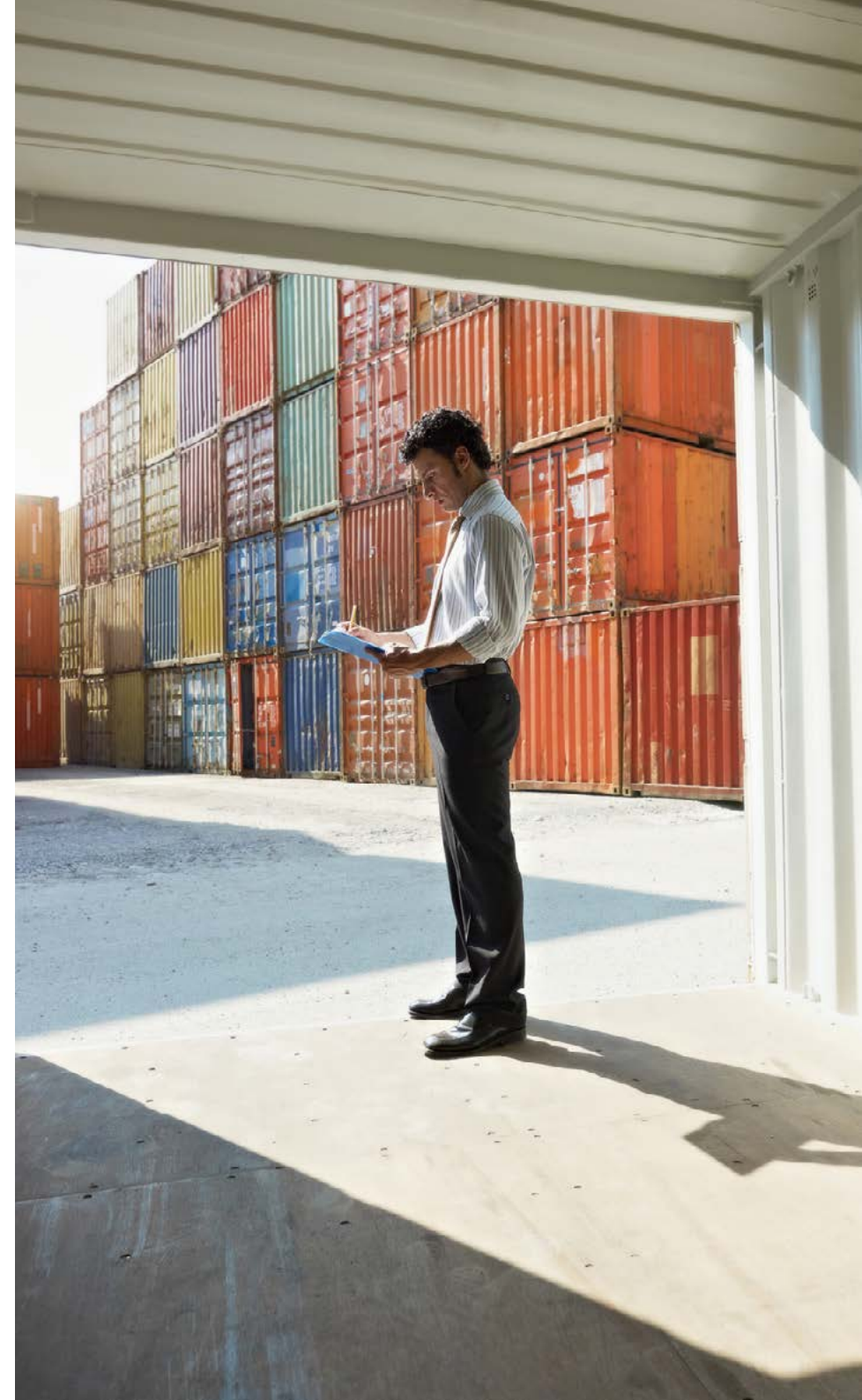
You may ask all your suppliers to align with your code of conduct. The requirements in this code apply to the whole supply chain, including sub-suppliers and subcontractors .

Standards equally apply to permanent, temporary and agency workers – as well as piece-rate, salaried, hourly paid, legal young workers (minors), part-time, night, and migrant workers.

To drive meaningful change, your company may pledge to help your suppliers improve labour, health and safety, and environmental conditions in the workplace – helping them understand how to improve their sustainability practices.

This effort requires a collaborative approach. Full transparency and commitment to drive progress together is essential in the process.

Always seek to exercise the best possible practices for the respectful and ethical treatment of workers
– and promote sustainable conditions where workers earn fair wages in safe and healthy workplaces.





Law and code compliance

What you may ask your suppliers to comply with:

- All relevant and applicable laws and regulations of the country where workers are employed.
- Your company Supplier Workplace Code of Conduct.
- Collective Bargaining Agreements, where applicable.



Child labour

- No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.
- Juvenile workers (aged 15-17) shall not perform work which, by its nature or the circumstances it is carried out, is likely to compromise their health, safety or morals (ILO Convention 138 and 182).



Forced labour

- There shall be no use of forced labour, including prison, indentured, bonded, slave or other forms of forced labour.
- Acts of human trafficking are also prohibited.
- Suppliers are required to monitor any third-party entity that assists them in recruiting or hiring employees. This ensures that potential employees are not compelled to work through force, deception, intimidation, coercion or as a punishment for holding or expressing political views (ILO Conventions 29, 105, 182).



Harassment, abuse and disciplinary

- Every employee shall be treated with respect and dignity.
- No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse. Employees shall not face monetary fines or embarrassing acts as a disciplinary measure.



Employment relationship

- As an employer you adopt and comply with rules and conditions of employment that respect workers. At a minimum, you are responsible for safeguarding their rights under national and international labour and social security laws and regulations.



Discrimination

- You will make sure your employees are protected from any form of discrimination in any aspect of their work – recruitment, hiring, pay, benefits, work assignments, access to training, advancement, discipline, termination or retirement.
- This includes discrimination the basis of race, religious belief, colour, gender, pregnancy, childbirth or related medical conditions, age, national origin, ancestry, sexual orientation, gender identification, physical or mental disability, medical condition, illness, genetic characteristics, family care, marital status, status as a veteran or qualified disabled veteran (in the USA only), caste, socio-economic situation, political opinion, union affiliation, ethnic group, illness any other classification protected under applicable law.
- All employment decisions must be made based on the principle of equal employment opportunity. And they shall include effective mechanisms to protect migrant, temporary or seasonal workers against any form of discrimination (ILO Conventions 100 and 111).



Freedom of association and collective bargaining

- Your employees must be free to join organisations of their own choice.
- As a supplier you will recognise and respect the right of employees to freedom of association and collective bargaining.
- You will develop and fully implement effective grievance mechanisms, which resolve internal industrial disputes, employee complaints – ensuring effective, respectful and transparent communication between employees, their representatives and management (ILO Conventions 87, 98 and 135).



Wages and benefits

- Every employee has a right to compensation for a regular work week that is sufficient to meet the employee's and their family's basic needs while providing some discretionary income.
- As an employer, you'll pay wages which equal or exceed the minimum wage or the appropriate prevailing wage (whichever is higher), comply with all legal requirements on wages, and provide any fringe benefits required by law and/or contract (ILO Conventions 26 and 131).
- You may want to go beyond when selecting your suppliers and have more in-depth discussion as regards to wages and benefits for their employees. Some companies prefer to work with suppliers who progressively raise employee living standards through improved wage systems, benefits, welfare programmes – and other services, which exceed legal requirements and enhance quality of life.



Overtime wages

- As well as pay for regular working hours, employees must be compensated for overtime hours at the rate legally required in the country of manufacture – or, in those countries where such laws do not exist, at a rate exceeding the regular hourly compensation rate by at least 125% (ILO Convention 1 and 30).



Hours of work

- As an employer, you will not require employees to work more than the regular and overtime hours allowed by the law of the country where you operate.
- The regular working week will not exceed 48 hours, or the maximum allowed by the law of the country of manufacture, whichever is less.
- Your employees are allowed at least 24 consecutive hours of rest in every seven-day period.
- All overtime work shall be consensual. Employers shall not request overtime hours on a regular basis.
- The sum of regular and overtime hours in a week shall not exceed 60 hours or the maximum allowed by the law of the country of manufacture, whichever is less (ILO Convention 1).



Health & Safety

- Suppliers shall provide a safe and healthy workplace to prevent accidents and injury arising from, linked with, or occurring in the course of work – or as a result of the operation of employers' facilities.
- The employer shall take a proactive approach to health and safety by implementing policies, systems and training designed to prevent accidents, injuries and protect worker health (ILO Convention 155).



Environment

- Suppliers must comply with all applicable environmental laws.
- Suppliers should also responsibly manage their energy and natural resource usage, emissions, discharges, carbon footprint and disposal of waste.
- Suppliers should understand their carbon footprint and be working to reduce its negative impact on the environment.



Community

- You may want to encourage all suppliers and their employees to get involved in local, social and environmental community charity efforts by volunteering time and/or providing other types of support.
- Seek long-term partnerships with suppliers that share these philanthropic values.



Subcontracting

- Suppliers are encouraged to monitor subcontractors and sub-suppliers for social and environmental responsibility – using standards that meet or exceed those set out in the Code of Conduct.



Animal welfare

- Suppliers must respect animal welfare and work progressively towards adopting healthy and humane practices towards animals, based on the best available technology and standards.



Traceability

- Your company and suppliers are jointly responsible for ensuring social and environmental responsibility – and the integrity of your product content claims.

For more information about the role of finance professionals in supply chain management, please, refer to ACCA's recent publication **Supply chains: a finance professional's perspective**.

[Find out more >](#)

To find out more about practical aspects of sustainability and the steps you can take to lead the agenda in small business sector while supporting your clients in small business as a practitioner, refer to the ACCA and CA ANZ co-branded playbook:

How SMEs can create a more sustainable world – A playbook for accountants in practice and finance teams in small and medium-sized organisations.

Certificate in Sustainability for Finance (CertSF)

ACCA certificate in sustainable for finance will support you in gaining further understanding of sustainability.

[Find out more >](#)



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