



SUPPLY CHAIN AUDIT

A FUTUREPLUS GUIDE



+ WHAT IS A SUPPLY CHAIN AUDIT?

A supply chain audit is a method of evaluating and improving your supply chain by conducting an examination of your suppliers.

The goal of the audit is to discover any weaknesses within your supply chain, or areas where your suppliers do not meet the minimum required standards for your business. Carrying out an audit can also demonstrate regulatory compliance in all regions where products are produced and sold.

Supply chain auditing should ideally occur when engaging with any new supplier in order to understand the level of alignment with your businesses' expected standards, but you can also retrospectively audit an existing supply chain in order to better understand the policies and procedures existing suppliers have in place.

Supply chain audits can consist of top-level overviews of suppliers' ethical and sustainable practices, through to in-depth third party verified assessments. The size of your business and the industries within which you operate will determine the rigour of the audit required.

+ WHY IS SUPPLY CHAIN AUDITING IMPORTANT?

Supply chain auditing is an important part of any businesses' responsible sourcing strategy. By examining the environmental and social standards under which your key suppliers operate, your business can ensure the ethical and sustainability claims made about your products or services are truthful. There can also be the opportunity to bring about tangible positive change within your supply chain if you discover things are not as they should be.

Regular auditing of your supply chain can also help decrease occurrences of greenwashing and non-compliance, and can build stakeholder and consumer trust. With investors increasingly requiring ESG commitments from businesses seeking investment, supply chain auditing is an important step in demonstrating transparency and accountability.

While a supply chain audit provides a snapshot view of your suppliers current policies and practices, ongoing monitoring can ensure continued compliance over time. For many businesses, regular auditing (e.g. annually) of key suppliers can provide sufficient evidence of compliance. However long-term monitoring may be required in areas of high risk, or within industries or businesses with a history of non-compliance.



+ WHERE TO START

A top-level supply chain audit is a good place to start, and you should assess how each of your suppliers manages the following risk areas:

- Human Rights
- Compliance with labour rights and standards
- Carbon footprint
- Ethical buying standards
- Economic and social inclusion
- Environmental impact
- Additional information on actions to promote positive environmental or social practices

Information and policies relating to these areas are often publicly available on websites etc. You may also wish to contact suppliers to request additional information or evidence.

Performing a web search of the company and the names of its Directors or Board members can help identify any positive or negative press surrounding the business. Geographical operational locations can also be taken into account when considering supplier risk profile.

More in-depth supply chain auditing will require third-party intervention, and a monitoring process requires suppliers to continuously supply evidence of compliance in areas that you have identified.

+ HANDLING NON-COMPLIANCE

If a supplier is unwilling to engage or provide information for your auditing or monitoring process, it could mean your supplier may be failing to meet your minimum standards and should be investigated further. Non-compliance issues should be treated sensitively, with clear information provided to suppliers on why certain information is required.

Actions that may be taken in the event of a supplier not meeting auditing and monitoring minimum standards should be decided by your senior management team and clearly explained within your Supplier Code of Conduct. Depending on the specific risk that your supplier has been unable to meet, your business may choose to support the supplier in improving their processes, or to cease trading with the supplier.

Please contact the FuturePlus team if you would like more information or require further support:
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