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Don't overwork your supplier code of conduct

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Hey, stay in your lane! I'm talking to you, supplier code of conduct.

In your lane, you are an important tool helping companies select sound business partners that share their values. Outside of your lane, you are a paradox, failing to promote true compliance while teetering on the slippery slope of "compliance theater."

To keep a supplier code in its rightful lane, one must remember its purpose: what it is and, more importantly, what it is not. Let's examine the purpose of supplier codes, how to avoid compliance theater, and best practices when writing or revising.

The supplier code of conduct

A company's code of conduct stakes out its commitment to ethics and integrity, setting forth expectations and guidelines for its employees. Companies, however, have realized that to make good on their ethical commitments, they must select business partners that share their values. Even the most well-crafted codes of conduct and sincerest commitments to integrity will ring hollow if a company's partners engage in bad practices.

Therefore, just as a code of conduct sets forth expectations and guidelines for employees, a company's supplier code sets expectations for suppliers or business partners.

But a supplier code is not just a statement to business partners; it's a company's public statement to consumers, customers, and investors as to the practices that its partners must follow. Now more than ever, companies understand they will be called to account not just for their actions but for the actions of their partners—if not in a court of law, certainly in the court of public opinion where companies risk the loss of public trust and potentially irreversible damage to their reputations.

Understandably, companies have leaned on supplier codes—but, at times, perhaps a bit too much.

Remember the code's purpose; avoid compliance theater

The purpose of a supplier code is to set expectations, give guidance, and promote ethical practices. While straightforward, putting that purpose into practice can be tricky. Facing growing risk and increasing public expectations, companies may be tempted to rely on their codes to address all possible supplier issues. That's a tall order, as many companies have diverse supply chains ranging from sophisticated partners operating in highly regulated countries to smaller, less sophisticated ones working in locations without robust legal frameworks.

Understandably, when drafting a supplier code, companies are likely concerned with the partners that might present the most risk. The result can be a long, elaborate supplier code requiring business partners to fully adopt

the code *and* train their entire workforce on it. But is this solving a problem or creating a paradox?

While this hard-charging approach may work for less sophisticated partners, it likely won't work for all suppliers. A requirement that a sophisticated partner, with its own internal code of conduct, adopt another supplier's code—and train its thousands of workers on that code—is likely just not feasible. If a company demands compliance with the impossible, its supplier code is not promoting ethics and compliance. Instead, it is merely compliance theater: actions that lack impact and are just for show.

No company putting together a supplier code likely sets out to just put on a performance. So, what goes wrong?

Theater is a comforting illusion. Wherever there is risk and uncertainty, there is a possibility of theater. When faced with growing risk, increased public pressure, and a diverse supply chain, an onerous supplier code may make one feel better since actions are being taken and risks are being addressed—just not effectively.

Companies can be effective and avoid compliance theater by remembering the supplier code's purpose: set expectations, give guidance, and promote ethical practices. Companies with this focus don't require compliance with their exact verbiage but with the spirit of their expectations. The conundrum of varying levels of sophistication and diverse legal frameworks is solved by requiring either that a business partner have in place similar standards—such as its own code of conduct—or adopt and train on the supplier code.

This approach works because most codes of conduct overlap. Whether internally drafted or drafted by a supplier, most codes address human rights, fair labor practices, legal compliance, and environmental responsibility. Therefore, if a business partner has its own code of conduct, or internal compliance policies, chances are the topics covered by the supplier code will be addressed.

Moreover, supplier codes should set forth short, high-level expectations, which increases the likelihood of overlap in both content and spirit. Codes should avoid granular, specific commitments that may not universally apply to all suppliers.

By requiring a commitment to similar principles and its spirit—not a verbatim adoption—a supplier code stays true to its purpose and promotes ethics and compliance.

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