



# SUPPLY CHAIN AUDIT GUIDE



# WHAT IS A SUPPLY CHAIN AUDIT?

A supply chain audit is a way of evaluating the environmental and social credentials of your supply chain by taking a closer look at the practices of your key suppliers. The goal of the audit is to discover any risks or weaknesses in your supply chain, or areas where your suppliers do not meet minimum social or environmental standards required by your business.

Supply chain auditing should ideally happen when engaging with any new supplier in order to understand the level of alignment with your business' expected standards, but you can also retrospectively audit an existing supply chain 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 industry you operate in often help to determine the rigour of audit progress required.

## WHY IS SUPPLY CHAIN AUDITING IMPORTANT?

Supply chain auditing can play an important part of any business' responsible sourcing and procurement 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 environmental or social 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, particularly in higher risk industries such as fashion/textiles, electronics, agriculture/food production, mining/extractives, construction, the automotive industry, etc.

What often makes supply chains particularly vulnerable from a sustainability standpoint is the combination of tier complexity (limited visibility beyond Tier 1 suppliers), geographic concentration in regions with weaker regulations, commodity price pressures that incentivise cost-cutting, and the sheer scale of environmental or social impacts involved.



# WHERE TO START

A top-level supply chain audit is a good place to start, with a focus on identifying risks related to human rights, labour practices, and sustainability via publicly available information:

- **Conduct a web/news search:** Review supplier websites, sustainability reports, and publicly available policies to assess suppliers' commitment to ethical practices. Searching both the company name and names of Directors or Board members can help identify any positive or negative press surrounding the business.
- **Assess human rights and child labour risks:** Prioritise reviewing policies and practices related to fair wages, working conditions, non-discrimination, freedom of association, and child labour prevention.
- **Evaluate environmental impact:** Assess suppliers' carbon footprints, waste management processes, and energy use to ensure they meet sustainable business practices.
- **Examine economic and social inclusion:** Determine whether suppliers promote fair economic opportunities, inclusive hiring practices, and equitable treatment of workers.

Unfortunately in many cases, this information may be difficult to locate, not publicly available, or unreported by the supplier. When desk-based research proves limited, assess whether the supplier operates in a higher-risk industry or geographical region. This risk-based approach will help you prioritise which suppliers warrant deeper investigation.

Next steps:

- **Ask suppliers to sign a Supplier Code of Conduct:** This document sets out the social and environmental standards you expect your suppliers to meet, and should be aligned with your own internal policies and practices.
- **Request supplier documentation:** Ask suppliers to provide documentation on labour standards compliance, age verification processes, and workplace safety measures.
- **Conduct supplier audits and interviews:** Perform on-site visits where possible, engage directly with workers, and verify claims made in supplier reports.
- **User third-party assessments:** For higher-risk suppliers, engage independent auditors to conduct thorough evaluations and provide verified compliance reports.
- **Monitor continuously:** Establish an ongoing monitoring system where suppliers regularly update their policies and provide evidence of compliance (FuturePlus is great for this!).



# ASSESSING HUMAN RIGHTS

Ensuring human rights are upheld within your supply chain is a crucial aspect of responsible sourcing. It addresses fundamental ethical responsibilities while protecting your business from regulatory non-compliance, reputational risk, and supply chain disruption that can arise when labour abuses come to light.

When assessing human rights compliance, consider the following factors:

**Fair wages and working conditions:** Check whether suppliers pay workers at least the minimum wage applicable in their country and ensure safe working conditions.

**Freedom of Association:** Ensure workers have the right to join unions and engage in collective bargaining.

**Non-discrimination policies:** Verify that suppliers have clear policies preventing discrimination based on race, gender, religion, or other protected categories.

**Workplace health and safety:** Review supplier records for workplace accidents, adherence to safety protocols, and worker training programs.

**Forced labour and Modern Slavery prevention:** Ensure suppliers actively prevent forced labour and have policies in place to address modern slavery risks.

## CHILD LABOUR

Child labour is a critical issue that businesses must actively work to eliminate from their supply chains. However, given the complexity of global supply chains, particularly beyond Tier 1 suppliers, no business can categorically guarantee that child labour does not exist somewhere within their network.

The responsibility lies in taking all reasonable steps to prevent, detect, and address child labour risks. This includes requiring suppliers to maintain robust age verification processes and provide proof of legal age for all employees, confirming adherence to national and international labour laws such as [ILO conventions on child labour](#), and supporting suppliers in offering education and apprenticeship opportunities to young workers rather than full-time employment.

Where feasible, conducting on-site audits and worker interviews helps verify working conditions, while establishing anonymous whistleblower and reporting mechanisms creates channels for employees and stakeholders to report suspected child labour practices without fear of retaliation.



# ENVIRONMENTAL PERFORMANCE

Ensuring strong environmental performance in your supply chain addresses fundamental environmental responsibilities while protecting your business from regulatory non-compliance and reputational risk. This is particularly relevant if you have Tier 1 suppliers engaged in manufacturing, extractives, or industrial processes. Look for the following:

**Carbon emissions and climate impact:** Check whether suppliers measure, report, and actively work to reduce their greenhouse gas emissions across Scopes 1, 2, and where relevant, Scope 3.

**Waste management and circular economy practices:** Ensure suppliers have effective waste reduction strategies, recycling programmes, and responsible waste disposal methods.

**Water use and pollution prevention:** Verify that suppliers monitor water consumption, treat wastewater appropriately, and have policies preventing water pollution.

**Energy efficiency and renewable energy:** Review supplier efforts to improve energy efficiency and transition to renewable energy sources where feasible.

**Biodiversity and ecosystem protection:** Ensure suppliers actively prevent habitat destruction, deforestation, and have policies addressing their impact on local ecosystems and protected species.

## POLLUTION, CHEMICALS AND HAZARDOUS WASTE

Start by identifying if or which suppliers work with hazardous materials or chemicals of concern. Request information on their chemical inventory, storage protocols, and handling procedures.

Suppliers should maintain Safety Data Sheets (SDS) for all chemicals used, have proper containment systems to prevent spills, and train workers on safe handling practices. Look for evidence that they're working to eliminate particularly harmful substances, such as PFAS ("forever chemicals"), heavy metals, or restricted substances under regulations like [REACH](#).

Verify that hazardous waste is properly segregated, stored, and disposed of through licensed waste carriers. Check whether suppliers have spill response plans, wastewater treatment systems where required, and regular monitoring of their effluent and emissions.

While not all suppliers will have perfect systems in place, the goal is to ensure they understand their obligations, have basic controls implemented, and are working progressively to improve their environmental performance rather than ignoring these risks entirely.



# 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 information that your supplier has been unable to provide or guarantee, your business may choose to support the supplier in improving their processes, or to cease trading with the supplier.

If child labour is discovered within your supply chain, businesses should work collaboratively with the supplier to remediate the situation responsibly, ensuring that affected children receive appropriate support such as access to education and family assistance. Abruptly cutting ties with a supplier can worsen the situation for vulnerable children and their families, potentially pushing them into more dangerous work or deeper poverty. The goal is to address the root causes while maintaining leverage to drive meaningful change and protect the children involved.

## Potential actions to handle non-compliance:

- **Conduct further enquiries** to verify the non-compliance claim, gathering all necessary evidence through documentation, interviews, and site visits.
- **Work with the supplier** to outline specific corrective actions, set clear deadlines, and provide necessary training or support to help them meet compliance standards.
- **Collaborate with the supplier** where possible to improve policies, working conditions, or environmental impact measures, rather than immediately terminating the relationship.
- **Establish clear consequences for ongoing violations**, which could include reduced business contracts, financial penalties, or eventual termination of the partnership.

# NEED MORE HELP?

We offer expert [consultancy services](#) if you would like more comprehensive support, or can talk you through how FuturePlus provides an excellent option for auditing and tracking the social and environmental impact of your suppliers. If you would like further advice or information, please contact: [info@future-plus.co.uk](mailto:info@future-plus.co.uk)

