

Standard Operating Procedure (SOP): Supplier Selection and Sustainable Sourcing Practices

This SOP details **supplier selection and sustainable sourcing practices**, encompassing criteria for supplier evaluation, adherence to ethical and environmental standards, integration of sustainability into procurement processes, continuous supplier performance monitoring, and fostering long-term partnerships. The goal is to ensure responsible sourcing that supports environmental stewardship, social responsibility, and economic viability throughout the supply chain.

1. Purpose

To establish a standardized approach for selecting suppliers and conducting procurement activities with a focus on sustainability, ethical practices, and quality to promote responsible business operations and supply chain resilience.

2. Scope

This SOP applies to all procurement activities and personnel involved in supplier evaluation, selection, management, and sourcing of goods and services for the organization.

3. Definitions

| Term | Definition |
|----------------------|---|
| Sustainable Sourcing | Procurement practices that consider environmental, social, and ethical impacts throughout the supply chain. |
| Supplier Evaluation | Assessment of suppliers based on predefined criteria aligned with company objectives and standards. |
| Code of Conduct | Set of standards outlining supplier requirements for legal, ethical, and sustainable practices. |

4. Responsibilities

- **Procurement Team:** Execute supplier selection, conduct evaluations, monitor performance, and ensure adherence to sustainability criteria.
- **Compliance Officer:** Oversee ethical, social, and environmental compliance of sourcing practices.
- **Department Heads:** Approve suppliers and ensure alignment with operational goals.

5. Procedure

5.1 Supplier Identification

- Identify potential suppliers through market research, referrals, and sustainability databases.
- Request supplier prequalification, including sustainability and compliance documentation.

5.2 Supplier Evaluation Criteria

- **Quality Standards** – Product/service quality certifications (e.g., ISO 9001).
- **Environmental Practices** – Resource efficiency, waste management, and possession of environmental certificates (e.g., ISO 14001).
- **Labor & Human Rights** – Compliance with national/international labor laws, prevention of child/forced labor, fair wages, and safe work conditions.
- **Ethical Conduct** – Adherence to anti-bribery, anti-corruption, nondiscrimination, and grievance mechanisms.
- **Financial Stability** – Proof of sound financial standing and business continuity.
- **Track Record** – Demonstrated performance, reputation, and references.

5.3 Supplier Selection

1. Apply a weighted scoring system based on evaluation criteria.
2. Shortlist suppliers meeting minimum sustainability and quality thresholds.
3. Conduct site audits or request third-party verification as required.
4. Obtain management approval for selected suppliers.

5.4 Sustainable Sourcing Integration

- Incorporate sustainability clauses and code of conduct in supplier contracts.
- Favor products and services with lower environmental impact/demonstrable social benefits.
- Encourage and prioritize local, minority-owned, or fair-trade certified suppliers when feasible.

5.5 Supplier Performance Monitoring and Continuous Improvement

- Set periodic performance reviews (at least annually) using key sustainability, quality, and compliance KPIs.
- Address non-conformance with corrective action plans and regular follow-up.
- Provide feedback, training, and capacity-building opportunities to suppliers.

5.6 Fostering Long-term Partnerships

- Engage in regular communication and collaboration to drive innovation and shared sustainability goals.
- Recognize and reward suppliers who demonstrate exceptional sustainable performance.
- Seek multi-year agreements where mutual benefits and compliance are sustained.

6. Records and Documentation

- Maintain records of supplier evaluations, contracts, audit reports, and performance reviews for a minimum of 5 years.
- Ensure all procurement actions are traceable and available for internal/external audits.

7. Review and Updates

This SOP shall be reviewed annually or as required to accommodate improvements in sustainability standards, industry best practices, and regulatory requirements.

8. References

- UN Global Compact Principles
- ISO 14001: Environmental Management Systems
- SA8000: Social Accountability Standard
- Internal Code of Conduct for Suppliers