BRIEF 04 — CONTRACTORS & SUPPLIERS

Working with Suppliers and Contractors

Managing human rights risks beyond your facility — what responsible supplier management looks like in practice.

MEKONG CLUB

READING TIME	DOCUMENT	INCLUDES
~10 minutes	Full text + self-assessment	Scenarios · Core elements · Checklist

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WHY RESPONSIBLE SUPPLIER MANAGEMENT MATTERS FOR YOUR BUSINESS

Buyer expectations now extend beyond your facility

Most suppliers are familiar with meeting buyer Codes of Conduct (CoC) within their own operations. Increasingly, however, buyer expectations now extend beyond their immediate sites and direct activities.

Under new and developing human rights due diligence (HRDD) laws — including the **EU Corporate Sustainability Due Diligence Directive (CSDDD)**, the **German Supply Chain Due Diligence Act (LkSG)**, and **U.S. Section 307 of the Tariff Act of 1930** — buying companies are expected to identify and address risks across their full value chains. As a result, buyers are asking their direct suppliers to show that they have visibility and oversight over their own suppliers, subcontractors, and service providers.

This shift does not mean that Tier 1 suppliers must control every upstream actor in their supply chain. It does mean that they should have a process to understand where the biggest risks are — for example, based on the type of product or where it is made — and focus their due diligence efforts where the risk of problems is highest. Suppliers are expected to manage risks within their area of influence — particularly where they select, contract with, and pay other business partners.

From a business perspective, unmonitored subcontracting or unmanaged risks further up your supply chain can result in:

- Audit findings and corrective action demands
- Order suspension or contract termination
- Shipment delays or customs detention
- Damage to your company's reputation
- Disruption to production planning

Responsible supplier management reduces these risks and strengthens long-term commercial relationships.

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WHAT RESPONSIBLE SUPPLIER MANAGEMENT MEANS IN PRACTICE

Visibility, clear expectations, and risk-based oversight

Managing suppliers and contractors responsibly involves more than sharing a Code of Conduct (CoC). It requires you to be clear about who you are doing business with, what standards apply, and how risks are identified and addressed.

In practice, this means maintaining visibility over your subcontractors and service providers, setting clear requirements in your contracts, monitoring higher-risk relationships, and taking proportionate action when concerns arise.

Responsible management does not require full traceability across every tier. It requires practical oversight of the business relationships that directly support the orders you fulfil for your buyers, supported by clear documentation and a level of monitoring that manages the level of risk.

Effective supplier management also requires clear internal ownership. Within your company, it should be clear who is responsible for approving new partners, maintaining supplier lists, and overseeing monitoring or escalation decisions should be clearly assigned within the organisation. This kind of defined accountability helps ensure that controls remain consistent particularly during peak production periods when informal arrangements are more likely.

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PRESSURE POINTS IN SUPPLIER RELATIONSHIPS

Where risks emerge — and how to manage them

Human rights risks in subcontracting and upstream sourcing can emerge when commercial pressure meets weak controls — especially at the points where work is handed off to another party.

In apparel and textiles, risk often increases during capacity shortages, last-minute order changes, or peak seasons — when suppliers rely on familiar subcontractors, add a processing step (e.g., printing, embroidery, washing), or switch a fabric source to meet lead times. If these partners are not formally onboarded, documented, and monitored, you as the supplier may lose visibility over working conditions and compliance.

A second common challenge is what is sometimes called **"sandwiching"**: buyers may choose certain upstream suppliers (e.g., fabric mills) while the Tier 1 suppliers still carry the responsibility when problems are found. This makes it even more important for suppliers to keep clear records, ask basic due diligence questions, and document how risks are being managed when subcontracting. Where upstream suppliers are chosen by buyers, you as the supplier should document the buyer's decision and record the basic due diligence steps you have taken, even if the final sourcing decisions are not within their control.

SCENARIO 1 — Capacity Crunch and an Additional Processing Unit

SITUATION

A customer requests a last-minute design change that requires additional finishing. To meet the delivery date, your team engages a familiar local unit to complete the extra step. The unit is not on your approved supplier list, and there is no written agreement aligned with your Code of Conduct (CoC).

WHAT WOULD YOU DO?

What would you do? Treat this as a one-off production decision — or a management gap?

RESPONSIBLE SUPPLIER MANAGEMENT IN PRACTICE

You introduce a simple approval process for adding subcontractors during peak periods. New units are required to align with your CoC, complete a basic risk screen (e.g., SAQ and document review), and be added to your documented supplier list. Where required, additional production sites are disclosed to the buyer.

Sector guidance emphasises that due diligence should be risk-based and proportionate — starting with visibility and documented oversight rather than attempting full traceability at once (see OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector).

Many buyers also maintain explicit policies prohibiting unauthorised subcontracting, placing responsibility on suppliers to maintain accurate production site records and obtain prior approval where required.

Risks are often highest in lower tiers where smaller businesses have fewer systems and less capacity to meet expectations quickly. A practical, risk-based approach — starting with visibility and baseline checks — can prevent unexpected problems and protect continuity of supply. These pressure points are predictable. The controls outlined below are designed to remain effective when timelines tighten and commercial decisions move faster.

CORE ELEMENTS OF MANAGING SUPPLIERS AND PARTNERS

4 Clear expectations, visibility, and risk-based oversight

Responsible supplier management does not require complex traceability systems. It requires clear expectations, visibility, and risk-based oversight applied consistently across your business relationships. The following elements provide a practical foundation.

Clear Expectations and Contractual Alignment

Standards should be communicated clearly to all subcontractors, suppliers, and service providers. This typically includes:

- Sharing your Code of Conduct or equivalent standards
- Including compliance clauses into contracts
- Prohibiting further subcontracting without written approval
- Requiring accurate disclosure of production sites
- Including requirements to cooperate with audits and remediation

Written agreements are essential. Informal understandings are difficult to enforce and difficult to demonstrate during buyer reviews. Where possible, expectations should be explained in onboarding discussions — not simply sent as documents to sign.

Visibility Over Who Produces Your Goods

Effective management begins with knowing who is involved in your production.

As a supplier, you should maintain an updated list of approved subcontractors, production units, and higher-risk upstream suppliers, as well as relevant service providers linked to your operations. This list should be reviewed regularly and updated when new partners are added, particularly during peak production periods.

This does not require full traceability across every tier. It requires documented visibility over the business relationships that directly support your orders.

Risk-Based Monitoring and Assessment

Not all partners present the same level of risk. Oversight should match the level of risk involved.

For lower-risk relationships, this may involve SAQs or document checks. Higher-risk partners may require site visits, deeper review, or third-party audits. Risk indicators may include geography, sector, production stage, labour intensity, or past compliance issues. The objective is not to eliminate all risk. It is to demonstrate reasonable, documented steps to identify and manage it.

Clear Processes for Adding or Changing Partners

Risks often arise when new suppliers or subcontractors are added quickly. A simple internal approval process can reduce this risk. This may include:

- Confirming that the new partner agrees to your Code of Conduct
- Completing a basic risk assessment
- Documenting ownership and production site address
- Recording the decision and the name of the person who approved it

This process helps prevent informal or undocumented subcontracting during peak periods.

Escalation and Remediation

When concerns arise — through audits, buyer alerts, grievance data, or public reporting — you should respond in a structured and documented way. This may involve contacting the partner to clarify facts, agreeing on corrective actions, setting timelines for improvement, and monitoring follow-up. In cases of serious or repeated violations, escalation or disengagement may be necessary.

Responsible management does not mean automatic termination. It means taking documented action that is appropriate to the situation, and that aims to correct issues where possible. Where disengagement becomes necessary, it should be approached carefully as a last resort, to avoid unintended harm to workers, with clear documentation of the reasons and steps taken.

Periodic Review and Improvement

Supplier risk levels change over time. Regularly reviewing supplier lists, monitoring results, audit findings, and grievance data helps identify patterns and adjust oversight accordingly. Where the same types of issues keep appearing — such as repeated informal subcontracting during peak season — management systems should be strengthened to prevent recurrence.

Over time, this structured approach reduces unexpected problems, strengthens buyer confidence, and supports more stable operations.

Supplier Onboarding Checklist

When engaging a new subcontractor or service provider, consider confirming:

- [ ] Has the partner formally aligned with your CoC?
- [ ] Is the production site address verified and documented?
- [ ] Has a basic risk screen (e.g., SAQ or document review) been completed?
- [ ] Has the partner been added to your approved supplier list?
- [ ] Is further subcontracting prohibited without written approval?
- [ ] Is there a clear internal owner responsible for oversight?
- [ ] Has the decision to engage this partner been documented and approved?

A simple onboarding checklist can prevent informal arrangements that later create compliance and operational risk.

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MANAGING HIGHER-RISK BUSINESS RELATIONSHIPS

Partners who control access to workers require closer oversight

Not all business relationships carry the same level of risk. Suppliers should conduct risk assessments to identify higher-risk commodities and sourcing locations, and understand where labour rights risks are most likely to occur. Based on this understanding, they can apply risk-based due diligence — for example, through supplier self-assessment questionnaires or third-party audits where appropriate.

While subcontractors and upstream suppliers create compliance risks, certain partners — particularly those that control recruitment, supervision, security, housing, or transport — can have a more direct impact on workers' rights.

In many sectors, these higher-risk relationships include **labour agents, temporary staffing providers, security companies, worker hostel operators, and transport contractors**. These partners may not produce goods, but they often have significant control over workers' access to jobs, wages, movement, or living conditions. Where this kind of power is concentrated, risk exposure increases.

For this reason, oversight should not be limited to documentation alone. You as a supplier should consider whether workers supplied by these contractors understand their employment terms, whether grievance mechanisms are accessible to temporary or outsourced workers, and whether recruitment practices, wage deductions, or disciplinary processes are transparent.

In higher-risk relationships, management may require closer involvement — including annual reviews, clearer contractual safeguards, and more active follow-up when concerns arise. The objective is not to control another company's operations. It is to understand where your business decisions create leverage — and to use that leverage responsibly.

USING LEVERAGE IN PRACTICE

A buyer nominates a specific labour provider to support seasonal production. After onboarding, concerns emerge regarding unclear wage deductions and recruitment practices. The provider argues that it reports directly to the buyer.

- Even where suppliers do not select the partner, they still have influence.
- The supplier documents concerns, engages both the provider and the buyer, requests transparency on recruitment and wage practices, and ensures affected workers can access grievance channels.
- Clear documentation and communication demonstrate proactive due diligence.
- Due diligence does not require full control — it requires reasonable use of influence within your business relationships.

FROM COMPLIANCE TO RESPONSIBLE BUSINESS RELATIONSHIPS

6 Structured oversight that works when commercial pressure peaks

Managing suppliers and contractors responsibly is not about transferring obligations to you. It is about you having clear oversight within your area of influence.

Where business relationships are informal or undocumented, risks build up quietly — and appear later as audit findings, shipment delays, or reputational damage. Structured, risk-based management reduces those unexpected problems. Visibility improves. Decision-making strengthens. Buyer confidence increases.

Increasingly, buyers expect evidence of functioning due diligence systems — not only policies, but clear oversight of partners and documented responses when risks arise. Responsible supplier management is not a one-time control exercise. It is an ongoing process. Suppliers that embed this process into everyday decisions are better positioned to meet changing expectations and maintain resilient, long-term partnerships.

Further reading: OECD Due Diligence Guidance for Responsible Business Conduct · OECD Due Diligence Guidance — Garment & Footwear Sector · UN Guiding Principles on Business and Human Rights

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