

# PAS 7000:2014

## Supply chain risk management – Supplier prequalification



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# Foreword

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**Compliance with PAS 7000 does not in itself confer immunity from legal obligations.**

# 0 Introduction

## 0.1 Why do we need to know our supply chain partners?

Most organizations have good information on the top 15% of their suppliers. This implies that they do not have good information on 85% of their direct suppliers, and very often have little or no knowledge of the factory, people and machinery providing the product, service or works, which are being sourced.

Concern about supply chain risk is growing significantly. The risk landscape is evolving as the definition of quality changes to include non-physical attributes such as environmental, social and ethical impacts as well as integrity, security and organizational behaviour issues. In addition, supply chains are becoming more and more complex, and organizations are increasingly vulnerable to loss of brand reputation and risk of financial loss, resulting from supplier performance, environmental impact, natural disasters, cargo disruptions, counterfeiting incidents, breaches of labour laws, and other factors that have the potential to significantly damage reputation.

PAS 7000 is a publicly available specification (PAS) that establishes a model of the governance, risk and compliance (GRC) information necessary for buyers to pre-qualify suppliers and confirm their intention and ability, to adhere to key compliance requirements. In effect providing a "GRC passport to doing business".

PAS 7000 helps to answer the three key questions relating to any organization's supply chain partners 'Who are they? Where are they? Can they be relied upon?'

## 0.2 How does a prequalification process help?

For the purpose of prequalification, it is essential that suppliers are able to demonstrate that they possess the resources, skills and expertise necessary to have access to, and apply the principles of good governance. These include qualifications, references, competence, quality, reliability, corporate social responsibility and environmental and security compliance capabilities, to the extent necessary for them to be accepted as appropriate to supply products, deliver services or undertake works, for a potential buyer.

PAS 7000 provides for both buyers and suppliers direction on the scope of activities required to deliver an effective GRC strategy providing assistance to both supplying and buying organizations, in the implementation of a basic GRC policy, covering framework, resources (technology, people and processes), review, monitor and improvement.

PAS 7000 provides a uniformly applicable statement of good practice in the field of GRC setting out the content, format and use of the information that is relevant to the prequalification of suppliers in all supply chain situations. It enables organizations at all levels to establish the GRC requirements that they should seek to encourage in their respective supply chains.

The underlying principle of the PAS 7000 approach is therefore to encourage the universal, uniform use of a set of common information in a manner that significantly reduces duplication of effort in its provision for suppliers, and avoids unnecessary evaluation activity for buyers, delivering cost saving and efficiency improvement for both.

## 0.3 What is the PAS 7000 approach?

PAS 7000 is intended to establish a supply chain information model that is of relevance to entities of all sizes everywhere in the world, set out and structured in a manner that is equally applicable to suppliers and buyers.

This presents a particular need to provide for claims of compliance with the PAS by two distinct user groups (suppliers and buyers). This has been addressed by the provision of two forms of explicit declaration (see Clause 7).

This new approach involves a concept shift, away from that of 'providing questions that are to be asked by buyers in order to solicit answers from suppliers' to one where there is 'a generally accepted information model that is provided by suppliers and that is acquired and used by buyers, as required'.

Inevitably with such a wide range of potentially relevant topic modules, whilst there are many for which it is possible to identify information items that it is reasonable to expect in every prequalification situation, there are some that although wholly valid in some situations, will not always be applicable.

Figure 1 – Overview of the PAS 7000 segmented matrix approach to prequalification information.

Range of Topic Modules															
C1	C2	C3	C4	C5	C6	C7	C8	C9	A1	A2	A3	A4	A5	A6	
		Core topic modules – Essential information items always to be requested and supplier responses always required								Additional topic modules – Essential information items always to be requested if topic module migrated to core by buyer and supplier responses then always required					
		Core topic modules – Discretionary information items requested by buyers if required. Can be responded to by suppliers on voluntary basis.								Additional topic modules – Discretionary information items requested by buyers if required and topic module migrated to core by buyer. Can be responded to by suppliers on a voluntary basis					

To accommodate this, PAS 7000 adopts a modular approach to the information required, building them into a matrix supported by a set of application principles or rules that provide a degree of flexibility while retaining a robust, repeatable approach (see Figure 1).

### Understanding the matrix

**Horizontally**, the items of required information are each allocated to one of a range of topic modules with that range being split into two categories:

- **core** – topic modules that are always to be included in a prequalification process claimed to be in compliance with PAS 7000 and
- **additional** – topic modules on which the buyer has discretion as to whether to include them or not.

Buyers or assessment providers can require the information identified in selected additional topic modules (i.e. move additional to core) where the nature of their procurement makes this necessary.

**Vertically**, within each topic module there is a list of information items that are themselves divided into two categories:

- **essential** – information items that are always required within a particular topic module in every situation.
- **discretionary** – information items that are sometimes applicable within a particular topic module and that, at the discretion of buyers, are sometimes expected.

Specific inclusion of discretionary information items in the topic modules by the buyer or assessment provider, changes its status from discretionary to essential.

As a means of encouraging a policy of openness on the part of suppliers, PAS 7000 encourages suppliers to prepare information not specifically required for a particular supply or prequalification situation on a voluntary basis as available resources permit. There are two reasons for this:

- such information might be required for other prequalification processes undertaken at a future time;
- it could be taken into account by buyers or assessment providers even if not actually required.

#### 0.4 Is the PAS 7000 approach suitable for my business?

This segmented matrix approach provides a prequalification framework that includes all topic modules potentially required by buyers or assessment providers. It permits the core information of any particular prequalification process to be tailored to the specific requirements of the buyer or assessment provider within a structure of rules and principles that maintains the robustness and feasibility required and delivers the cost saving and efficiencies necessary to encourage wide adoption of the PAS 7000 approach.

In this way, PAS 7000 enables prequalification on the basis of the minimum requirements necessary for acceptance as a future supplier (helpful to new applicants and smaller organizations), facilitates a more comprehensive enquiry in situations where supplier conformance to a wider range of criteria is critical to the buyer and encourages progressive enhancement/ improvement of supplier responses to the range of topic modules and information items, over time.

**NOTE** Attention is drawn to the current focus on encouraging SME participation, in EU and member states.

Requirement for the process of validation of supplier provided information does not fall within the remit of this PAS. Each topic module makes recommendations as to how particular information items are best provided but it is for buyers (or their assessment service providers) to determine how that information is assessed and validated. The PAS does however set out requirements to buyers with regard to the extent of the evidence required to support suppliers' responses (see 6.2f) and making information about the validation process to be applied, publicly available.

In the interest of harmonizing the application of PAS 7000 with that of other internationally applicable specifications and schemes (e.g. ISO 9000 series for Quality Management; ISO 28000 series for supply chain security) and reducing duplication of effort to the maximum extent possible, buyers are advised to recognize equivalence and provide for exemptions, where their business needs are unlikely to be compromised. Buyers are advised to recognize existing national standards or schemes in particular supply situations where these might be relevant to supply chains that cross national borders. The PAS recognizes however that it is for buyers to decide whether or not to adopt such practice in accordance with their particular business policies and supply chain needs. It does not therefore make such adoption a matter of requirement.

Because of the range of topic modules included in the PAS 7000 information model, there is unlikely to be any possibility for complete exemption but exemption is likely to be possible on a module by module basis. Buyers are therefore advised to look to the provision of exemptions wherever practicable.

The consistent use of a set of commonly required information in all prequalification activity, including the recognition of compliance with other existing specifications and schemes where appropriate and practicable, not only significantly reduces the resources invested by suppliers in the provision of the necessary information but also enables buying organizations, procurement personnel and assessment providers to more reliably source suppliers on the basis of the assurance and compliance levels they provided.

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# 1 Scope

This PAS sets out requirements for establishing the governance, risk and compliance (GRC) status of supply chain relationships and in doing so, it:

- establishes the content and extent of supply chain relationship information the sharing of which is fundamental to the establishment of supply chain partnerships;
- sets out rules for the provision and acquisition of this information by supplier and procurer parties respectively, that will enable both to cooperate in the establishment of a supply chain relationship, in a coordinated manner.

The PAS presents the specified information in fifteen topic modules, nine of which are designated '**Core**' topic modules and six are designated '**Additional**' topic modules as follows:

## 'Core' topic modules

- Organizational Profile (Module C1).
- Supplier Capabilities and Capacities (Module C2).
- Financial Information and Insurance (Module C3).
- Business Governance (Module C4).
- Employment policies (Module C5).
- Health and Safety (Module C6).
- Data protection (Module C7).
- Environmental Management (Module C8).
- Quality Management (Module C9).

## 'Additional' topic modules

- Business Ethics (Module A1).
- Supply Chain Traceability (Module A2).
- Supply Chain Security Management (Module A3).
- Equal Opportunity and Freedom of Association (Module A4).
- Disciplinary Practice and Abuse (Module A5).
- Business Continuity Management (Module A6).

Within each topic module, the information items identified are divided into '**essential**' and '**discretionary**' categories (see Clause 5 and Clause 6 respectively.)

PAS 7000 is generic in nature and is intended for use by all organizations, regardless of size or complexity, to support the development of supply chain relationships in accordance with established GRC principles. The information identified in the topic modules is already widely used by a broad range of organizations in establishing supply chain relationships. However, the procedures used to gather this information often vary considerably and can result in significant duplication of effort in both the provision and use of the information and can also cause confusion and misunderstanding between potential supply chain partners.

PAS 7000 identifies the information items to be provided with a description of how it is to be made available and the evidence required to support it.

## PAS 7000 does not:

- specify the accuracy and/or transparency of the information and supporting documents provided by suppliers; or
- include requirements as to how the validity of that information is to be assessed by procurers;
- both of these are matters for determination by the procuring party in establishing each particular relationship.

PAS 7000 also includes requirement for the use of explicit declarations when claims in respect of the provision and use of supply chain relationship information are made.