

Sustainable supply chain

Code of Conduct for Suppliers – A Template

Through the Code of Conduct (CoC), the company communicates what it expects from its suppliers. As an external obligation, the CoC constitutes the interface between the company's own sustainability values and goals and the behaviour it wishes its suppliers to exhibit. A CoC usually addresses direct suppliers. However, the company can also call upon direct suppliers to strive to have their subcontractors commit to the CoC and to report on their subcontractors' implementation of the CoC requirements.

Instructions for use: The present CoC represents a **sample text** for companies **across all sectors**. The passages of text are not to be understood as examples of exact formulations, but rather as detailed instructions about what core content is relevant. Companies should check what additional or alternative information should be included in a CoC that addresses the particularities of their sector and their company.

Along with its basic content, the document contains commentary (**yellow boxes**) explaining the content and describing the context. This should support companies in tailoring the CoC to their own needs. The Code's content and structure are based on examples of companies' publically available CoC, templates provided by industry associations and initiatives, and direct exchange with representatives of companies.¹

¹ Alongside an exchange with representatives of the enterprises taking part in the "Sustainable supply chain" pilot project, publically available information from the following companies and initiatives has been used: Beiersdorf AG; BMW Group; HELLA Konzern; memo AG; Lindt & Sprüngli Gruppe; peiker acoustic GmbH & Co. KG; Electronic Industry Citizenship Coalition (EICC); Business Social Compliance Initiative; German Association of Materials Management, Purchasing and Logistics

This publication makes no claim to completeness. Although it has been created with the greatest possible care, we assume no responsibility for the correctness of the information contained therein. This publication cannot replace advising on an individual case (e.g. by a lawyer, a business consultant, etc.).

Content: The Code of Conduct contains the following elements:

- Introduction: Preamble
- Requirements for suppliers:
 - Social responsibility
 - Environmental responsibility
 - Business ethics
- Implementation of requirements
- Information and consent of the supplier

1 Introduction/Preamble

In the introduction, the company can, along with presenting the guiding principles of sustainability that underlie its sustainable supply chain management, also communicate the core requirements for suppliers: e.g. willingness to take part in audits, successful achievement of improvements, or passing on the CoC to subcontractors.

[Name of your company] is committed to environmentally and socially responsible business management. We expect the same conduct from all of our suppliers. We also require all of our employees to respect the principles of environmentally and socially responsible and ethical conduct and to integrate these principles into our company culture. Furthermore, we strive continually to optimise the sustainability of our corporate activities and our products *[or services]*, and we ask our suppliers to contribute to these efforts in the spirit of an integrated approach.

Summary of the company's guiding principles. This can also mention that the CoC applies to the company's own employees as well.

For future cooperation, the contracting partners agree on the validity of the following rules for a common CoC. This agreement forms the basis for all future deliveries of supplies. The contracting partners commit to fulfil all of the principles and requirements of the CoC. The suppliers are requested to contractually commit their subcontractors to adhere to the standards and rules specified in this document. This agreement shall enter into force upon signature. Violation of this CoC can constitute a cause and reason for the company to terminate the business relationship, including all associated supply contracts.

Specification of the supplier's obligations, e.g. passing on the CoC to subcontractors and/or willingness to take part in audits.

The CoC is based on national laws and regulations as well as international conventions such as the United Nations' Universal Declaration of Human Rights, guiding principles about children's rights and child labour, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization's international labour standards, and the Global Compact of the United Nations. We expect our suppliers to adhere to all relevant laws and regulations as well as to the requirements of standards.

Reference to relevant international standards. If referring to the Global Compact, one's own company should be a member of the initiative so that the demands made of suppliers can be credibly presented.

2 Requirements for suppliers

The substantive requirements are often organised thematically under headings such as "social responsibility", "environmental responsibility" and "business ethics". The individual requirements, however, can refer to the respective applicable standards. It is also advisable to define a "zero tolerance zone", that is, to make clear what misconduct would lead to the immediate termination of the business relationship.

2.1 Social responsibility

In this area, for example, the CoC of the international Business Social Compliance Initiative (BSCI) can be invoked and reference can be made particularly to the conventions of the International Labour Organization (ILO).

- Elimination of forced labour

For individual areas, the company lists subtopics which it uses to specify what issues are to be addressed in the content of the CoC.

No forced labour, slave labour or similar form of labour may be used. All work must be done by choice, and employees must be able to end the work or the employment relationship at any time. Furthermore, no worker may be subjected to unacceptable treatment such as psychological cruelty or sexual or other personal harassment.

Subtopics explain what the suppliers are to comply with and what they are to abstain from. Content about this can refer to ILO Conventions 29 and 105, for example, or to the Fourth Principle of the Global Compact ("Businesses should uphold the elimination of all forms of forced and compulsory labour.")

- Prohibition of child labour

Child labour is forbidden at every phase of production. The suppliers are called upon to adhere to the

ILO conventions' recommended minimum age for the employment of children. According to these recommendations, the age should not be lower than the age at which compulsory school attendance ends, and should in no case be lower than 15. *If children are discovered to be working, the supplier is to document the measures that are to be taken to remedy the situation and enable the children to attend school. The rights of young workers are to be protected and special protective provisions for them are to be complied with.*

Content can refer, for example, to ILO Conventions 79, 138, 142 and 182 or to the Fifth Principle of the Global Compact ("Businesses should uphold the effective abolition of child labour.")

- Fair wages

The wage for regular working hours and overtime must comply with at least the statutory national minimum wage or the customary minimum wage for the industry, whichever is higher. In every case, the wage for overtime hours must be higher than the wage for regular hours. If the wage is not sufficient to cover the usual cost of living while allowing the worker to accumulate a minimum amount of savings, the supplier is obligated to increase the worker's pay to reach a sufficient level for this. All legally mandated benefits are to be provided to employees. Wage deductions as a punitive measure are not permitted. The supplier must ensure that the employees receive clear, detailed and regular written information about the composition of their pay.

Content here can refer, for example, to ILO Conventions 26 and 131.

- Fair working hours

The working hours must comply with the applicable laws and industry standards. Overtime is only permitted if it is performed on a voluntary basis and does not exceed a total of 12 overtime hours per week. After six consecutive working days, an employee is to be provided with at least one day off. The total weekly working hours cannot regularly exceed 48 hours.

Content here can refer, for example, to ILO Conventions 1 and 14.

- Freedom of association

The right of employees to form and join organisations of their own choosing and to engage in collective bargaining (e.g. to join trade unions) is to be respected. In cases in which freedom of association and the right to hold collective meetings are legally restricted, alternative possibilities for an independent association of employees for the purpose of collective bargaining are to be permitted. Employee representatives are to be protected from discrimination. They are to be granted free access to their colleagues' workplaces to ensure that they are able to exercise their rights in a lawful and peaceful manner.

The supplier shall respect workers' right to freedom of association, to joining trade unions, to appealing to worker representatives and to membership in works councils in accordance with the applicable local laws. It must be possible for workers to communicate openly and without fear of reprisals or harassment.

Content here can refer, for example, to ILO Conventions 87, 98, 135 and 154 or the Third Principle of the Global Compact (“Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining”).

- Prohibition of discrimination

Discrimination against employees in any form is prohibited. This applies, for example, to discrimination on the basis of gender, race, caste, skin colour, disability, political convictions, family background, religion, age, pregnancy or sexual orientation. The personal dignity, privacy and personal rights of every individual shall be respected.

Content here can refer, for example, to ILO Conventions 110, 111 and 159, or to the Sixth Principle of the Global Compact (“Businesses should uphold the elimination of discrimination in respect of employment and occupation”).

- Health protection; occupational safety

The supplier is responsible for a safe and healthy working environment. Through the construction and use of suitable workplace safety systems, the necessary preventive measures are taken against accidents and injuries to health that could occur in connection with workplace activities. The employees are also informed regularly about the applicable health protection and safety norms and measures, and receive training about them. The employees are provided access to adequate quantities of drinking water and to clean sanitary facilities.

Content here can refer, for example, to ILO Conventions 155 and 164.

- Complaint mechanisms

At the operational level, the supplier is responsible for establishing an effective complaint mechanism for individuals and communities who could be affected by negative impacts.

Even in places where legal systems are effective and well-equipped, complaints mechanisms can offer special advantages such as rapid access and swift relief, reduced costs and transnational reach. Employees who lodge a complaint about violations of this Code of Conduct or the applicable laws are not to be subjected to disciplinary measures in any form.

- Dealing with conflict minerals

For the conflict minerals tin, tungsten, tantalum and gold, as well as for additional raw materials such as cobalt, the company establishes processes in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and it expects its suppliers to do the same. Smelting and refining without appropriate and audited processes of due diligence is to be avoided.

Because of the major significance of this issue in many industries, a chapter should be specifically devoted to it if it is relevant. It would be helpful here to refer to the current standards and guidelines of the Organisation for Economic Cooperation and Development (OECD).

2.2 Environmental responsibility

For individual areas, it can be helpful refer to established standards such as EMAS or ISO 14001. The company either requires the introduction (e.g. within two years after placing an order) of an environmental management system in accordance with EMAS or ISO 14001 or orients itself to the points that both of these standards (or similar ones) cover.

The core environmental issues addressed in the EMAS regulation (No. 1221/2009) and ISO 14001:2015 are the following:

- Atmospheric emissions
- Discharges into water
- Soil contamination
- Consumption of raw materials and natural resources
- Energy consumption and efficiency
- Energy release (in the form of heat, radiation, light, noise)
- Generation of waste
- Land usage/biodiversity

- Treatment and discharge of industrial wastewater

Wastewater from operating procedures, production processes and sanitation facilities is to be typed, monitored, tested and treated as needed before it is introduced or disposed of. Beyond this, measures should be introduced to reduce the generation of wastewater.

- Dealing with air emissions

General emissions from operating procedures (air and noise emissions) and greenhouse gas emissions are, before they are released, to be typed, routinely monitored, and treated as needed. It is also the supplier's responsibility to monitor their emissions treatment systems and the supplier is obliged to find cost-effective solutions for minimizing all emissions.

- Dealing with wastes and hazardous substances

The supplier shall pursue a systematic approach in order to identify solid waste, manage it, reduce it, and responsibly dispose of or recycle it. Chemicals and other materials that pose a danger when they are released into the environment are to be identified and managed in such a way that safety is ensured when people interact with these materials, as well as when they are transported, stored, used, recycled

or reused, and when they are disposed of.

- Reducing consumption of raw materials and natural resources

The use and consumption of resources during the production process and the generation of waste of any sort, including water and energy, are to be reduced and avoided. This takes place either directly at the place where the waste is generated or through processes and measures – for example, through changing production or maintenance procedures or processes in the company, through the use of alternative materials, through economizing, through recycling or through the reuse of materials.

- Dealing with energy consumption and efficiency

Energy consumption is to be monitored and documented. Cost-saving solutions are to be found to improve energy efficiency and minimize energy consumption.

2.3 Business ethics

For individual areas, reference can also be made to the OECD Guidelines for Multinational Enterprises, the BSCI Code of Conduct or the Global Compact.

- Fair competition

Norms of fair business practices, fair advertising and fair competition are to be observed. Beyond this, the relevant antitrust laws, which particularly prohibit agreements and other activities to influence prices or conditions, are to be applied. These rules further prohibit agreements between customers and suppliers that are intended to limit customers' freedom to autonomously determine the prices and conditions for their resale of goods.

- Privacy/data security

The supplier commits to fulfil the reasonable expectations of the client, subcontractors, customers, consumers and employees concerning the protection of private information. In the collection, storage, processing, transmission and transfer of personal information, the supplier is to observe the laws on data protection and information security as well as the regulatory requirements.

- Intellectual property

Intellectual property rights are to be respected; transfers of technology and expertise are to be carried out in such a way that intellectual property rights and customer information are protected.

- Integrity/corruption, personal gains

The highest standards of integrity are to be applied to all business activities. The supplier must pursue a zero-tolerance policy regarding the prohibition of bribery, corruption, extortion and embezzlement. Processes for monitoring and implementing norms are to be applied in order to ensure compliance with anti-corruption laws.

Reference can be made here to the OECD Guidelines for Multinational Enterprises, which address the

topic in chapter seven. .

3 Implementation of requirements

Because systematic risk management is an important building block of sustainable supply chain management, the company should raise this issue with its suppliers. The company should describe how it monitors whether suppliers are meeting the requirements stated in the Code of Conduct – for example, through on-site audits of suppliers.

Beyond this, it should also state how misconduct and non-compliance with requirements will be dealt with.

We expect our suppliers to identify risks within supply chains and take appropriate measures. In the case of a suspected violation, as well as to safeguard supply chains with heightened risks, the supplier will inform the company promptly and, if necessary, regularly about the identified violations and risks and about the measures taken.

The company will use a self-assessment questionnaire as well as sustainability audits at the suppliers' production sites to monitor compliance with the standards and rules stated in this document. The supplier agrees to the client conducting such audits to monitor compliance with the Code at the supplier's production sites during normal business hours, with sufficient advance notice and as carried out by persons whom the client tasks with doing so. The supplier can object to specific audit measures if these measures violate mandatory data protection regulations.

If a violation of the rules of this Code of Conduct is identified, the client shall notify the supplier of this in writing within one month and will provide a suitable period of time within which the supplier's conduct is to be brought into compliance with these rules. If the violation was caused culpably and this renders the continuation of the contract until its due termination unacceptable for the client, the client can end the contract upon the expiration of the stated time period if the client has threatened to do so when setting the period of time. The legal right to extraordinary cancellation without providing an additional time period shall remain unaffected, as shall the right to damages.

4 Information and consent of the supplier

By signing this document, the supplier commits to act responsibly and adhere to the principles and requirements specified herein. The supplier commits to communicate the content of this Code in a comprehensible manner to employees, contractors and subcontractors and to make all necessary arrangements to meet the requirements.

Suppliers confirm through the signature of a representative that they have read the CoC and accept it. For the CoC to become binding, it should ideally be integrated into the supplier contract. For example, it could be a contractually valid annex to the contract or key requirements from the CoC could be added into the supplier contract itself.

Alternatively, suppliers can be asked to sign the Code of Conduct and to commit to fulfilling its requirements.



This document is part of the “Sustainable Supply Chain” component of “Online Sustainability Management Tools for SMEs”. These working materials were created in cooperation with the Association of Bavarian Chambers of Commerce and Industry (BIHK) as part of the Bavarian Environmental Pact.

Publication details:

Publisher:

Bavarian Environment Agency (LfU)
Bürgermeister-Ulrich-Straße 160
86179 Augsburg

Telephone: 0821 9071-0

Fax: 0821 9071-5556

Email: poststelle@lfu.bayern.de

Website: www.lfu.bayern.de

Edited by:

adelphi consult GmbH
Alt-Moabit 91
10559 Berlin

sustainable AG
Corneliusstraße 10
80469 Munich

Editorial Office:

LfU/ Ref. 11, Infozentrum UmweltWirtschaft
Website: www.izu.bayern.de

Image credits:

LfU

Last updated:

November 2018

Postal address:

The Bavarian Environment Agency
86177 Augsburg

This publication has been issued as part of the public relations work of the Bavarian State Government and is distributed free of charge. It may not be used by political parties, campaigners or election workers for campaign purposes within a period of five months before an election. This applies to Landtag, Bundestag, municipal and European elections. The distribution of this publication at campaign events or political parties' information booths is particularly improper during this period, as is the insertion of partisan political information or advertising into this publication or the printing or affixing of such information onto it. Transferring this publication to third parties for the purpose of campaign advertising is likewise prohibited. Regardless of any time-related connection to any upcoming election, the publication also may not be used in any way that could be construed as partisanship on the part of the State Government to the benefit of specific political groups. Political parties are permitted to use this publication to provide information to their own members. If the publication is used in part or in whole for journalistic purposes, the source is to be cited and a sample copy of the journalistic work is to be sent to us.

This work is protected by copyright. All rights are reserved. This publication is provided free of charge and any sale of it is prohibited. Great care was taken in the creation of this publication. However, we cannot assume any liability for the correctness or completeness of the information contained in it. We assume no responsibility for the content of third-party websites.



BAYERN | DIREKT is your direct line to the Bavarian State Government. Contact us by telephone at 089 122220 or by email at direkt@bayern.de to receive informational material and brochures, information about current issues and online resources, and tips about agencies, relevant authorities and points of contact within the Bavarian State Government.