

A decorative pattern of overlapping diamonds in various colors (dark blue, light blue, orange, green, and grey) arranged in a grid-like fashion, filling the upper half of the page.

Supplier Code of Conduct – Template

A company communicates its expectations to its supplier with a Code of Conduct (CoC). As an external obligation, the CoC unites the sustainability values and goals of the company itself and the conduct expected from suppliers. The CoC generally addresses direct suppliers. However, a company can also require direct suppliers to oblige their subcontractors to comply with the CoC and report on the corresponding implementation of the relevant requirements by subcontractors.

Note: This Code of Conduct provides a **sector-neutral template** for companies. The text passages are not intended as strict templates, but rather provide a detailed indication of which **core content** is relevant. Companies should also consider which additional or alternative information their Code of Conduct needs to contain to address sector and company-specific requirements. Along with the basic content of a Code of Conduct, this document also contains comments (yellow boxes) to explain the content and provide background information. These comments aim to help companies adapt the Code of Conduct to their own needs. The content and structure of the code are based on codes of conduct published by companies, templates from industry associations and initiatives, and direct communications with company representatives.¹

Content – The Code of Conduct includes the following elements:

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¹ In addition to information obtained from discussions with representatives of the companies involved in pilot project 'Sustainable Supply Chains', publicly available information from the following companies/initiatives was used: Daimler AG; Beiersdorf AG; BMW Group; HELLA Konzern; memo AG; Lindt & Sprüngli Group; peiker acustic GmbH & Co. KG; Electronic Industry Citizenship Coalition (EICC); Business Social Compliance Initiative; Bundesverband Materialwirtschaft, Einkauf und Logistik e.V.

1 Introduction/preamble

Alongside presenting the sustainability mission statement on which sustainable supply chain management is based, the company can also use the introduction to communicate key requirements for suppliers, including willingness to participate in audits, achieve the necessary improvements and to share the Code of Conduct with subcontractors.

[Name of company] is committed to environmentally and socially responsible corporate governance. We expect the same conduct from all our suppliers. We also expect our employees to observe the principles of ecological, social and ethical conduct and to integrate these principles into the corporate culture. Furthermore, we strive to continuously optimise our corporate actions and our products *[or services]* in terms of sustainability and ask our suppliers to contribute to this by adopting a holistic approach.

Summary of the company's mission statement. This section may also refer to the fact that the CoC applies to the company's own employees.

The contractual partners agree on the validity of the following terms for a common Code of Conduct applicable to future cooperation. This agreement serves as the basis for all future deliveries. The contractual partners undertake to comply with the principles and requirements of the Code of Conduct and to attempt to contractually oblige their subcontractors to comply with the standards and regulations listed in this document. This agreement shall become effective upon signature. Any violations of this Code of Conduct may ultimately be grounds and cause 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 Code of Conduct is based on national laws and regulations such as the Supply Chain Due Diligence Act (LkSG) as well as international conventions such as the United Nations Universal Declaration of Human Rights, the guidelines on children's rights and business principles, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organisation's international labour standards, and the UN Global Compact.

Reference relevant international standards. When referring to the Global Compact, the company should be a member of the initiative to credibly present the requirements for suppliers.

2 Supplier requirements

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 can also be useful to define a ‘zero tolerance zone’ to make clear what misconduct would lead to the immediate termination of the business relationship.

2.1 Social responsibility

This section may invoke the CoC of the international Business Social Compliance Initiative (BSCI) and particularly refer to the conventions of the International Labour Organisation (ILO), for example. The bans stipulated in Section 2 (2) LkSG should also be included.

Elimination of forced labour

The company lists subtopics for individual subjects 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. The hiring or use of security guards must be refrained from if, during their use, persons are treated or injured in an inhumane or degrading manner or if freedom of association is impaired.

Subtopics explain with what suppliers need to comply and from what they are to abstain. They may refer to ILO Conventions 29 and 105, for example, the Fourth Principle of the Global Compact (‘Businesses should uphold the elimination of all forms of forced and compulsory labour’) or Section 2(3),(4) and (11) LkSG.

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 under the age of 18 must not be used for

labour deemed damaging to the health, safety or morality of children. Special protective regulations shall be observed.

This section may refer to ILO Conventions 79, 138, 142 and 182, the Fifth Principle of the Global Compact ('Businesses should uphold the effective abolition of child labour') or Section 2 (1) (2) LkSG.

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 any 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.

This section may refer to ILO Conventions 26 and 131, for example. The minimum standard in this regard is Section 2 (2) (8) LkSG.

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 must not regularly exceed 48 hours.

This section may refer to ILO Conventions 1 and 14, for example.

Freedom of association

The right of employees to form and join organisations of their own choosing and to engage in collective bargaining and strikes 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. Employees shall not be discriminated against on the basis of forming, joining or being a member of this kind of organisation. Employee representatives 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.

This section may refer to ILO Conventions 87, 98, 135, 154, the third principle of the Global Compact ("Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining") or Section 2 (2) (6) LkSG.

Prohibition of discrimination

Discrimination against employees in any form is prohibited unless justified on the grounds of the job requirements. This applies, for example, to discrimination on the basis of gender, national, ethnic or social background, skin colour, disability, health status, political convictions, world view, religion, age, pregnancy or sexual orientation. The personal dignity, privacy and personal rights of every individual shall be respected.

This section may refer to ILO Conventions 110, 111 and 159, the sixth principle of the Global Compact ("Businesses should uphold the elimination of discrimination in respect of employment and occupation") or Section 2 (2) (7) LkSG.

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 must be taken to prevent accidents and injuries to health that could occur in connection with workplace activities. Excessive physical or mental fatigue must be prevented through suitable measures. Employees must also be regularly informed and trained about the applicable health protection and safety norms and measures. Employees must be provided access to adequate quantities of drinking water and clean sanitary facilities.

This section may refer to ILO Conventions 155 and 164, for example, or Section 2 (2) (5) LkSG.

Preservation of the natural basis of life

The supplier shall not extract resources from land, forests or waters, the use of which secures the natural basis of life for people, in violation of legitimate rights. It must refrain from harmful soil alterations, water and air pollution, noise emissions as well as excessive water consumption if this harms the health of people, significantly impairs the natural basis for the production of food or prevents the access of people to safe drinking water or sanitary facilities.

This section may refer to Section 2 (2) (9) and (10) LkSG, for example.

Grievance mechanisms

The supplier shall pass on information received from [company] on the availability and implementation of a grievance procedure, including those responsible for managing it, to its employees in an appropriate manner. All employees must be able to use the grievance procedure anonymously with effective protection against discrimination. In the absence of a notice, the supplier shall be responsible for establishing an effective grievance mechanism at the operational level for individuals and communities who could be affected by negative impacts.

Even in places where legal systems are effective and well-equipped, grievance mechanisms can offer special advantages such as rapid access and swift relief, reduced costs and transnational reach. As the LkSG requires a grievance mechanism that extends into the supply chain, it needs to be ensured that the supplier's employees are able to contact the specified grievance body. Employees who lodge a grievance 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 due diligence processes must 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

It can be helpful to refer to established standards such as EMAS or ISO 14001 for certain topics. The company either needs to introduce an environmental management system in accordance with EMAS or ISO 14001 (e.g. within two years after placing an order) or base its approach on 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 as follows:

- Atmospheric emissions
- Discharges into bodies of 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 use/biological diversity

As it currently standards, the LkSG only requires compliance with certain obligations of the Minamata Convention on Mercury, the Stockholm Convention on Persistent Organic Pollutants (POPs), and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

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 find cost-effective solutions to minimise all emissions.

Dealing with waste 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. The prohibitions on exporting hazardous waste stipulated in the Basel Convention of 22 March 1989, as amended, must be observed. 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. Mercury shall be used in

accordance with the prohibitions of the Minamata Convention of 10 October 2013; persistent organic pollutants shall be used in accordance with the Stockholm Convention of 23 May 2001, as amended.

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 economising, through recycling or through the reuse of materials.

Dealing with energy consumption and efficiency

Energy consumption must be monitored and documented. Cost-saving solutions need to be found to improve energy efficiency and minimise energy consumption.

2.3 Ethical business conduct and compliance

Reference can be made to the OECD Guidelines for Multinational Enterprises, the BSCI Code of Conduct or the UN Global Compact for individual topics.

Fair competition

The standards of fair business, fair advertising and fair competition must 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 regulations 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 protection

The supplier commits to fulfil the reasonable expectations of its 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 all forms of bribery, corruption, extortion and embezzlement. Processes for monitoring and implementing standards are to be applied in order to ensure compliance with anticorruption laws.

Reference can be made here to the OECD Guidelines for Multinational Enterprises, which address the issue in Chapter 7.

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 must inform the company promptly and, if necessary, regularly about the identified violations and risks and about the measures taken.

The company uses a self-assessment questionnaire as well as sustainability audits at the suppliers' production sites to monitor compliance with the standards and regulations stated in this document. The supplier agrees to the client conducting the aforementioned 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 tasked by the client. 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 cannot be remedied within the foreseeable future, the supplier must notify the company without undue delay and work with the company to create a concept with a time schedule to end or minimise the violation. If the grace period expires fruitlessly or if the implementation of the measures included in the concept does not bring about a remedy after the end of the time schedule and a less restrictive remedy is not available, the company may terminate the business relationship and terminate all contracts. The legal right to extraordinary cancellation without providing an additional time period shall remain unaffected, as shall the right to claim damages.

4 Supplier acknowledgement and consent

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.

For the CoC to become binding, it should ideally be integrated into the supplier agreement, either as an annex to the agreement or by including key requirements from the CoC in the supplier agreement, for instance.

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



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