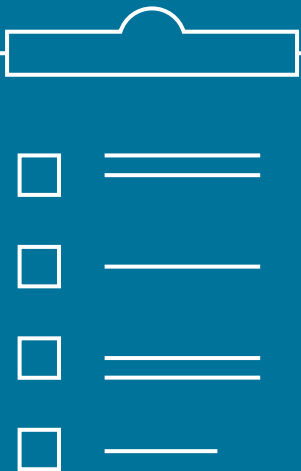


Developing and implementing your own policy

GUIDANCE



CONTENTS



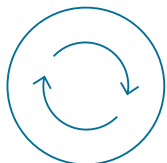
INTRODUCTION	4
What is a policy and which requirements must such a document meet?.....	5
What benefit does the company itself derive from drawing up a policy?	7



DEVELOPING A POLICY FOR YOUR OWN ORGANISATION	8
What format should the policy take and who will it be directed at?.....	8
What subject matter should the policy cover?	11



POLICY EXAMPLES IN PRACTICE	15
Social themes in policies.....	15
Environmental themes in policies	20
Combination of social and environmental themes in policies	23
The code of conduct as a specific type of policy	28
Anti-corruption as a topic in the (supplier) code of conduct	30



IMPLEMENTING THE POLICY IN YOUR OWN ORGANISATION	32
What can you do to implement a policy effectively?.....	32
How can you anchor policies in operational processes and review their implementation?	33



ANNEX: ELEMENTS OF A CODE OF CONDUCT FOR SUPPLIERS & BUSINESS PARTNERS, BASED ON CURRENT PRACTICE	35
LIEFERANTEN & GESCHÄFTSPARTNER	35



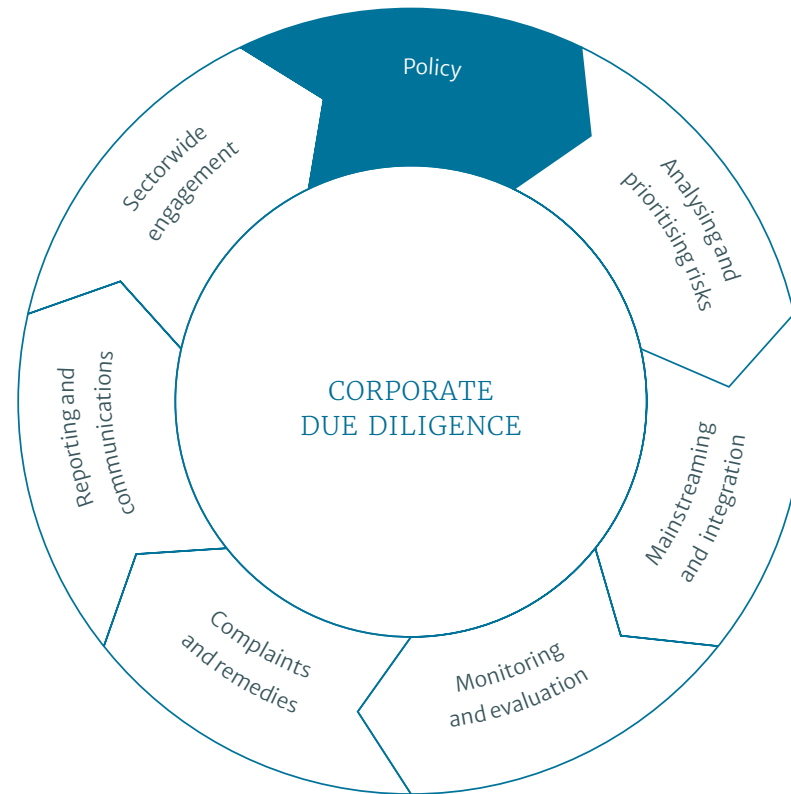
In recent years, it has become increasingly important for companies to enshrine their environmental and social due diligence obligations in a written policy statement. The German Federal Act on Corporate Due Diligence Obligations in Supply Chains, for example, demands that companies publish a policy statement attesting their compliance with human rights and environment-related due diligence obligations. Such policies may take the form of a voluntary commitment, a code of conduct, a declaration or a set of guidelines.

These guidelines provide you with support in the form of practical examples, tips and building blocks for drawing up and implementing a policy.

Introduction

All companies are subject to due diligence obligations, regardless of their size, business volume, sector or structure. This is enshrined in international agreements such as the United Nations Guiding Principles on Business and Human Rights and in their national equivalents, such as the National Action Plan for Business and Human Rights. From 2023 onwards, the German Federal Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) will also subject large German corporations to legally binding provisions to ensure they comply with their due diligence obligations.¹ As part of their corporate due diligence, companies are required to be aware of the social and environmental risks and impacts of their value chain and to take corresponding measures to prevent, mitigate and remedy these risks and actual impacts. Members of the Partnership for Sustainable Textiles are obliged as part of their individual responsibility to establish their own processes to ensure that they meet these due diligence obligations.

A policy is an essential component of this corporate due diligence process. Through this policy, your company undertakes to respect and apply basic social, environmental and anti-corruption standards. This commitment applies to the company's own internal organisation and to supply chain actors and other stakeholders outside the company.



¹ At the time of publication of these guidelines, regulations on corporate due diligence were also being planned at EU level but had not yet been completed.



What is a policy and which requirements must such a document meet?

A policy is a fundamental document on respect for human rights and compliance with further social, environmental and economic due diligence obligations. Through this document, you commit to respecting the relevant standards and communicate these goals and expectations to your staff business partners and producers. At the same time, your company thereby undertakes to implement specific goals and measures to improve environmental, economic and social sustainability both within your company itself and in the supply chain. You can draw up such a policy in the form of a **voluntary commitment, a code of conduct, a declaration or a set of guidelines**.

What external requirements must such a policy meet? The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (hereinafter referred to as the OECD Sector Handbook) states that a policy expresses the commitment of the company to respect human rights.

The document should therefore:

- ✓ be agreed at the highest corporate level,
- ✓ be based on relevant internal or external expertise,
- ✓ formulate binding expectations of the company towards its staff, business partners and other parties that are directly involved in its business activity, products or services,
- ✓ be publicly available and communicated both within and outside of the company to all employees, business partners and other concerned parties,
- ✓ be reflected in business practices and processes in order to be embedded within the company.



On 16 July 2021, the two chambers of the German parliament (Bundestag and Bundesrat) passed the German Federal Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which defines the issuing of a policy statement as one of the elements of corporate due diligence (Section 3 (1)). Section 6 states the requirements to be met by such a policy:

- 1 **Senior management must adopt** the policy statement.
- 2 The policy statement must contain **at least the following elements of a human rights strategy**:
 - ✓ the description of the procedure by which the enterprise fulfils its due diligence obligations,
 - ✓ the enterprise's priority human rights and environment-related risks,
 - ✓ the human rights-related and environment-related expectations placed by the enterprise on its employees and suppliers in the supply chain.
- 3 The company must **implement** the human rights strategy **in the relevant business processes** set out in the policy statement and implement risk-based control measures to **verify compliance** with the human rights strategy.

The Federal Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) also requires companies to update their policy statement without undue delay if it has actual indications that suggest a violation of a human-rights or environment-related obligation due to indirect suppliers may be possible (Section 9 (3)) and prepare an annual report including the elements of the policy (Section 10 (2)).



What benefit does the company itself derive from drawing up a policy?

Developing and publishing a policy on corporate social responsibility generally offers a good opportunity to

- ... establish specific overarching objectives as guiding principles for action on improving sustainability within the company itself and in the value chain.
- ... raise awareness within the organisation itself of human rights, social and environmental standards and the management of social and environmental risks (Sector risks) in the textile and clothing sector.
- ... communicate to external stakeholders that the company itself takes seriously its responsibility to respect international standards and requirements.
- ... win the support of the management and Management Board for the specified topics.
- ... identify the clear next steps to be taken to implement and embed human-rights due diligence processes within the company.

Below you will find some pointers that will help you to develop and implement a policy for your organisation. The first part lists three key questions showing you what to bear in mind when drawing up a policy. The second part includes illustrative examples of policies in place at other companies. The third part describes how you can embed the policy in your company's processes.

Developing a policy for your own organisation

What format should the policy take and who will it be directed at?

The first step is to select the suitable **format** for your own policy. Here, you should consider,

- ✓ who the policy will be directed at,
- ✓ whether all requirements are to be addressed in one standardised policy or defined in several individual documents.

Whereas the external requirements formulated in the OECD Sector Handbook or the LkSG refer to *one* document as a policy statement, in corporate practice there are many examples of **separate documents that are addressed to different groups**. Taken together, these individual documents then constitute *the* policy. Frequently, suppliers are addressed separately because the policy makes requirements that are to be met by the entire supply chain ([see p. 29](#)).



TYPE OF POLICY (EXAMPLES)	POTENTIAL ADDRESSEES (LIST IS NOT EXHAUSTIVE)	CORPORATE EXAMPLES
Policy statement	Own staff, suppliers and business partners	Bay City Textilhandels GmbH: Declaration of principles (see p. 24) Lidl: Human Rights and Environmental Protection Due Diligence System (see p. 25) FOND OF: Human Rights Statement (see p. 26)
Code of Conduct, Code of Ethics for company staff	Own staff	adidas: Fair Play Code of Conduct (see p. 30) Hugo Boss: Code of Conduct (see p. 31) H&M: Code of Ethics Esprit: Staff Administrative Policy: Code of Conduct Tchibo: Code of Conduct (in German / English in one document)
Policies for special sector-specific social or environmental risks	Own staff and possibly supply chain	adidas: Labour Rights Charta/Human Rights Policy (see p. 15) Aldi: International Policy on Gender Equality in ALDI's Supply Chains (see p. 18) Fair Wear Foundation: Code of Labour Practices (see p. 16) H&M: Human Rights Policy H&M: Global Non-Discrimination and Non-Harassment Policy HUGO BOSS: Health and Safety Commitment HUGO BOSS: Environmental Policy (see p. 20) Inditex: Environmental Sustainability Policy Marks & Spencer: Environmental and Chemical Policy for Textile Processing



TYPE OF POLICY (EXAMPLES)	POTENTIAL ADDRESSEES (LIST IS NOT EXHAUSTIVE)	CORPORATE EXAMPLES
Policies on specific rights for particularly vulnerable groups, for example workers under the age of 18, home-workers	Suppliers and business partners	ALDI SÜD: International Policy on Forced Labour ASOS: Child Labour, Remediation and Young Worker Policy (see p. 17) HUGO BOSS: Child Labor and Forced Labor Policy Patagonia: Migrant Worker Employment Standards & Implementation Guidance (see p. 17) John Lewis: Policy on Homeworkers
Supplier Code of Conduct/ Code of Conduct for Business Partners	Suppliers and business partners	adidas: Workplace Standards C&A: Code of Conduct for the Supply of Merchandise (see p. 31) Tchibo: Principles for Social and Environmental Compliance in the Non Food Business (see. p. 22) Inditex: Code of Conduct for Manufacturers and suppliers



What subject matter should the policy cover?

The next step is to decide what **subject matter** the policy should encompass. Here, you should ensure that the policy for your organisation contains the **relevant social, environmental and anti-corruption standards** and formulates the corresponding expectations to be met both inside and outside the company. To ensure that a policy is **accepted** within your company and by the stakeholders and can have the desired **impact**, it is important for all of the relevant individuals inside and outside the company to pull together. For this purpose, make sure to involve corporate management and other relevant departments (for example procurement, corporate development, communication) at an early stage when developing the policy so that the content can be jointly defined.

INTERNATIONAL STANDARDS AND GUIDELINES

1

The [ILO core labour standards](#) and the [Universal Declaration of Human Rights](#) offer guidance for selecting the content matter. The [OECD Sector Handbook](#) also offers a good overview of the content of a corporate policy. In line with these, a policy should

- ✓ contain a **voluntary commitment** regarding the company's own activities,
- ✓ cover all **social, environmental and anti-corruption topics** that are addressed by the OECD Due Diligence Guidance,
- ✓ take a closer look at how the company handles **sector-specific risks** (for example child labour, the use of hazardous chemicals, the employment of home-workers, gender-based violence or corruption) and which standards it undertakes to uphold in these cases,
- ✓ contain an **obligation to implement due diligence processes** in order to manage the key risks within the company and the supply chain,
- ✓ oblige the company itself to involve **(relevant) stakeholders** in due diligence processes,
- ✓ in the case of brands, commercial *enterprises* and retailers: contain a **voluntary commitment to observe responsible purchasing practices** in order to prevent negative impacts arising from their own procurement processes.



PARTNERSHIP'S GOALS

2

The Partnership's goals offer further guidance. These too are based on international standards that your **company has undertaken to uphold upon joining the Textiles Partnership**. In particular, please take account of the Textile Partnership's binding requirements in your policy:

- ✓ All business partners and producers must be obliged to **comply with the Partnership's social goals**, for example by means of a code of conduct (see p. 28) or as part of the terms of the contract.
- ✓ Companies that use or procure wool must publish a **written policy on new wool** that also contains a position against mulesing.² This can be part of a paragraph on environmental due diligence obligations.
- ✓ With regard to the management of chemicals, you must either communicate the **ZDHC MRSL** or a **recognised alternative including accompanying information** to all business partners and producers, who can then pass this on to the supply chain.³ This may also be part of a paragraph or section of your own policy on environmental due diligence obligations in the supply chain.
- ✓ You must also communicate a **wastewater standard** (for example ZDHC Wastewater Guidelines) to all business partners and producers.
- ✓ You must enshrine zero tolerance of **corruption** in your policy and take preventive measures to combat corruption in your supply chain.
- ✓ Furthermore, we advise Partnership members to **prohibit unauthorised subcontracting by business partners and producers**. This may be part of a code of conduct for suppliers.

² See the guidelines on drawing up a policy on new wool: Developing and implementing your own policy: Responsible procurement of new wool.

³ The members of the Partnership for Sustainable Textiles have agreed to adopt the Manufacturing Restricted Substances List (MRSL) of the initiative to eliminate hazardous chemicals (Zero Discharge of Hazardous Chemicals (ZDHC)). This means that members use the ZDHC MRSL or their own even stricter MRSL, committing themselves in the process to gradually substituting over 160 problematic chemicals in the textile process with harmless substances.



REQUIREMENTS WITH REGARD TO THE SUPPLY CHAIN

3

If the policy contains requirements with regard to the supply chain, it should

- ✓ spell out the expectations to be met by business partners and producers along the *entire* supply chain, including licence holders, middlemen, subcontractors, etc.
- ✓ specify conditions for outsourcing to home-workers and for the use of manual labour if this is relevant for your organisation's business model.
- ✓ formulate expectations of how subcontractors are to be involved or define the cases in which contracts can or cannot be transferred to third parties.⁴
- ✓ Explain how complaints about the company's own business activity and the activities of business partners and producers can be made to your own organisation, and show how these complaints are subsequently addressed.⁵

As a general rule, the following applies: The goals and subject matter covered by your own policy depend on your company's specific business model and the related risks and potential impacts. The scope of the individual sector risks may therefore differ depending on the business model and product portfolio. Even if a written policy on new wool is mandatory, its emphasis may differ from case to case. In practice, policies are also often structured differently.

It is advisable to examine all aspects of a policy to establish whether gender-specific perspectives or the needs of vulnerable groups (migrants, indigenous people, etc.) have been taken into consideration. Women and minorities are often particularly vulnerable to social risks, for example with regard to wages and working conditions. The policy should also be easy to understand and written in simple language.⁶ Remember to look beyond the obvious target groups and themes when drawing up the policy. With regard to environmental risks too, it is worthwhile to take the perspective of vulnerable groups into account in the policy, such as protection against health risks due to chemicals during pregnancy.

⁴ See also the recommended goal on unauthorised subcontracting.

⁵ [OECD Guidance for Responsible Supply Chains in the Garment and Footwear Sector](#), pp. 93–102.

⁶ Example of a policy worded in simple language: adidas, [Group Code of Conduct](#).

Requirements, form, subject matter and purpose of a policy

Requirements

- The expectations to be met by a policy are described in detail in the OECD Sector Handbook, for instance. Upon entry into force of the LkSG, companies with more than 3,000 employees (from 2023) or 1,000 employees (from 2024) are legally obliged to formulate a policy statement and to report on it.

Purpose

- The policy defines the expectations placed by the company on its employees, business partners and actors in the supply chain as regards compliance with due diligence obligations.
- It is adopted by corporate and is implemented in specific business processes.
- It communicates the goals to which we are committed and therefore offers both internal and external benefits.

Form and content

- Companies can draw up their policy in the form of a voluntary commitment, a code of conduct, a declaration or a set of guidelines.
- In this policy, companies set out their basic principles regarding compliance with social and environmental due diligence obligations and anti-corruption requirements.
- The policy should contain the following elements:
 - ✓ a voluntary commitment to comply with due diligence obligations relating to all of the social, environmental and anti-corruption topics formulated in the Partnership's goals (sector risks)
 - ✓ goals and subject matter based on the company's specific business model
 - ✓ a commitment to involve all stakeholders and parties concerned and to give consideration to particularly vulnerable groups
 - ✓ specific expectations to be met by business partners, also with regard to subcontracting
 - ✓ a statement on available channels for submitting complaints

Policy examples in practice

Below you will find selected excerpts from policies on various aspects of sustainable supply chain management. These may provide you with guidance when drawing up your own documents. The first section contains four examples of how companies address social issues in their policies. The second section gives two examples showing how companies can formulate environmental topics in their policies. In the third section, you will find examples of a combined policy on social and environmental topics.



Social themes in policies

Approach to workers' rights and human rights

Example: adidas

The adidas Labour Rights Charta covers basic principles with regard to labour standards.⁷ In 2022, it will be replaced by the adidas human rights policy, which covers other stakeholder rights in addition to workers' rights. adidas drew up these policies in close consultation with stakeholders, the company's Works Council and the business units operating in different parts of the world. They are supplemented by a code of conduct for employees and a code of conduct for suppliers. Beyond this, there are guidelines that present specific standards, processes and measures related to individual social issues. These include the anti-harassment and anti-discrimination guidelines and the policy on forced labour and human trafficking (modern slavery).

adidas

⁷ <https://www.adidas-group.com/en/sustainability/transparency/reporting/>



Use of the Code of Labour Practices of the Fair Wear Foundation

Examples: Vaude and Schöffel

The examples of Vaude and Schöffel show how companies can use support from the Fair Wear Foundation to address social issues in the supply chain. Both companies have committed to implementing the **Fair Wear Foundation's Code of Labour Practices** in the supply chain. This code too is based on the ILO core labour standards. The topics addressed are:

BAN ON/EXCLUSION OF

Forced labour

Discrimination in employment

Child labour

Excessive working hours

RIGHT TO

Freedom of association and the right to collective bargaining

Payment of living wages

Safe and healthy working conditions

Legally binding negotiated employment relationship

The Code of Labour Practices is the basis for the implementation of labour law standards in the supply chain for members of the Fair Wear Foundation. Specifically, this means:

- ✓ The Code of Labour Practices is part of the contract between the company and its suppliers.
- ✓ All production facilities must display the information sheet naming the eight labour standards and stating the complaints hotline of the Fair Wear Foundation. The management of each production facility must also inform its employees about the content matter.
- ✓ Both workers on site and auditors of the Fair Wear Foundation regularly examine whether the information sheet is on display. Furthermore, all production facilities receive regular training on the subject matter of the Fair Wear Code of Labour Practices and the complaints helpline.

 VAUDE

 Schöffel

 FAIR WEAR



Approach to specific rights for social groups

Example 1: asos

British fashion company **ASOS** has published its ASOS Child Labour, Remediation and Young Worker Policy, which is designed to support its suppliers in the following way in implementing the two ILO Conventions 138 and 182 relating to child labour and the UK Modern Slavery Act:

- ✓ The policy provides a definition of the relevant terms.
- ✓ ASOS spells out its expectations and states the responsibilities of suppliers.
- ✓ The policy explains the remediation process where cases of child labour are found and
- ✓ integrates the protection of young workers under 18.

Example 2: Patagonia

By publishing its Migrant Worker Employment Standards & Implementation Guidance in late 2014, Patagonia was one of the first companies to issue comprehensive guidelines on handling labour migration. The company published online both this policy and information on the approach to labour migration in its supply chain, since its suppliers in Taiwan, Japan, Thailand and South Korea employ a large number of migrant workers. In Taiwan in particular, the problem is the frequent use of recruitment agencies that charge migrant workers high job placement fees. Patagonia is working with its suppliers to prevent this widespread practice. It is important that the company spells out its expectations in the policy, which also offers guidance on implementing the policy in the supply chain.



Gender equality policy

Example: ALDI

The ALDI Nord and ALDI SÜD Groups have jointly developed the International Policy on Gender Equality in ALDI's Supply Chains. The policy refers to international standards, including the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and key ILO standards. ALDI explains its understanding, principles and commitment to gender equality and describes how both companies integrate gender equality into the due diligence process. In addition to the policy, ALDI has developed a Gender Action Plan. The Action Plan contains medium-term and long-term measures and objectives and will be updated as required.



Here are some details on a few elements of the policy:

- ✓ The policy takes account of **intersectionality** and recognises different **gender identities and the existence of discrimination against different gender identities**.
- ✓ It describes the **requirements to be met by suppliers**. They must ensure that no gender-based violence or any kind of gender discrimination occurs in connection with their business operations and activities. They should work towards actively supporting gender equality by ensuring adequate gender-sensitive policies, processes and monitoring are in place.
- ✓ The policy sets out how ALDI **gives consideration to the gender perspective in the due diligence process** and **what role transparency plays in the supply chain**.
- ✓ The policy focuses on a **collaborative approach** and states that ALDI intends to strengthen its participation in multi-stakeholder initiatives and its dialogue with various partners.

“This Policy focuses specifically on women in supply chains, as a particularly vulnerable group who have traditionally been overlooked. We believe that by addressing the challenges women face in supply chains and supporting gender equality, we can promote greater diversity overall and support safer and more inclusive supply chains.”

Our Understanding, International Policy on Gender Equality in ALDI's Supply Chains, p. 3

Social themes in policies

Workers' rights and human rights

- Draw up your policy on social issues in consultation with stakeholders and parties that may be affected at different locations and in your company's supply chain, and involve the staff council as required.
- Align the subject matter of your policy with national and international laws and regulations.
- Supplement basic and general documents with specific requirements for individual target groups or in relation to risks that constitute a particular for your supply chain.

Code of Labour Practice

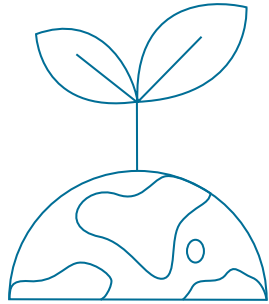
- Draw up a general binding document on labour rights based on the ILO core labour standards.
- If necessary, use an existing standard for this purpose, such as the Fair Wear Foundation's Code of Labour Practices or the Partnership's social goals.
- Establish in your policy how your company integrates the requirements into decision-making and processes, with particular emphasis on how it informs the production facilities and workers about the subject matter and how they can exercise the rights and duties assigned to them.

Specific rights for social groups

- Companies publish specific policies on individual sector risks, such as preventing child labour or the approach to labour migration.
- These deal with individual topics in greater depth and offer specific instructions to suppliers on how to implement the policies.

Gender equality

- It may make sense for your company and the stakeholders in your production chain to draw up a specific policy on gender equality.
- This may formulate concrete expectations to be placed on business partners.
- Companies can also draw up an action plan that makes it easier to realise the principles formulated in the policy by setting specific goals and indicators.



Environmental themes in policies

Environmental due diligence obligations pose a particular challenge to some companies because instructions and requirements related to due diligence often refer primarily to human rights. Some companies publish their own policy on environmental themes, including HUGO BOSS (see table on pp. 9 and 10).

Environmental policy

Example: Hugo Boss

HUGO BOSS published its Environmental Policy in mid-2020. In it, the company outlines its requirements in relation to environmental aspects at its own locations, in logistics, in its supply chain and along the entire life cycle of its products.

Environmental management, which implements the international standards ISO 14001 (environmental management systems) and ISO 50001 (energy management systems), plays an important role at the company's own locations. With regard to logistics, **logistics partners** must meet a clear set of requirements in order to minimise the environmental impacts of transporting merchandise. A key point is the selection of partner companies, which must prove their **clear commitment to sustainability, continuous improvement processes and relevant environmental certificates**.

The company also works with **partners in the supply chain** to minimise environmental impacts. For this purpose, HUGO BOSS specifies **requirements relating to the partners' own environmental management system**, which manages the reduction of resource consumption (energy, water and chemicals), reduces wastewater and waste and, depending on the location, gives consideration to other environmental aspects. Requirements are also made regarding a reduction of environmental impacts and continuous improvement measures. The relevance of audits to examine compliance with laws and regulations is emphasised, as is the importance of sector initiatives (United Nations Framework Convention on Climate Change (UNFCCC), Zero Discharge of Hazardous Chemicals (ZDHC), Better Cotton Initiative (BCI)) in order to endorse themes such as environmental protection and chemical management on a joint basis.

HUGO BOSS



With regard to its **own products**, HUGO BOSS takes care to ensure that their **design is environmentally compatible**. The company gives consideration to the environmental impacts and recyclability of materials and processes and performs life cycle assessments to optimise the product development process.

Other aspects relevant to **efficiency** are

- ✓ the use of alternative fabrics that are easier on the environment,
- ✓ the use of recycling materials,
- ✓ the avoidance of waste during production,
- ✓ the reutilisation of production waste, and
- ✓ innovative technologies in various process steps from printing to finishing, closed loop processes and the use of unused raw materials in future collections.

The company also ensures that efforts to **prolong the life cycle of products and reduce the environmental impact of packaging materials** are considered as key aspects for designing more environmentally sound products.

“The principles defined in the environmental policy form the basis for minimizing the Company's impact on climate change, conserve natural resources, reduce environmental pollution in general and contribute to preserve biodiversity. Particular attention is paid to our global supply chain.”

Hugo Boss
Environmental Policy, p. 1



Social and Environmental Code of Conduct for Business Partners (Products and Services)

Example: Tchibo

The Tchibo Social and Environmental Code of Conduct for Business Partners combines requirements relating to social and environmental issues and makes comprehensive demands as regards environmental themes, especially environmental protection and chemical management.



The statements on environmental protection address various topics: **hazardous substances, wastewater, emissions, waste, chemicals and other hazardous substances, energy efficiency and the use of natural resources.**

With regard to these, the Code of Conduct states that: “Business partners shall act in accordance with the applicable **environmental law and international standards regarding environmental protection** and shall maintain relevant **environmental permits and licences**. They shall continuously strive to **minimize any adverse impact that their business activity has on the environment**. (...) In order to achieve these targets business partners shall establish a **feasible and effective environmental management system**.”

Beyond this, Tchibo also focuses on the subject of **chemical management** and requires all production sites to implement an **effective chemical management system (CMS)** specifying, inter alia, that they use none of the chemicals listed in the Tchibo RSL or the ZDHC MRSL and that they undertake to promote and monitor adherence to the Tchibo RSL and ZDHC MRSL requirements in their entire production chain for Tchibo products.

Overall, Tchibo calls on its business partners to recognise the social and environmental standards defined in the Code of Conduct and integrate them into their corporate policy.

THE KEY ELEMENTS IN A NUTSHELL

Guidelines on environmental policy

- Examine which areas of environmental management are relevant for you. These may be environmental management at your own sites, environmental aspects of logistics, the expectation that production partners have their own environmental management system, and the environmentally sound design of products and services.

Code of conduct on social and environmental standards

- In a code of conduct, you can state the requirements for compliance with specific environmental issues.
- These may include chemical and wastewater management, energy efficiency, emissions and specific requirements in the area of chemical management.
- With regard to chemical management, it is important not to use any chemicals that are listed in the company's own RSL or the ZDHC MRSL.



Combination of social and environmental themes in policies

Most companies now communicate social and environmental issues in one single document. There are many examples in which companies quote from the documents and make core statements particularly with regard to their environmental due diligence obligations. This is intended to help you write your own policy on social and environmental due diligence obligations or to revise your existing policy accordingly.

Principles for Social and Environmental Compliance in the Non Food Business including Tchibo Social and Environmental Code of Conduct for Business Partners

Example: Tchibo

Tchibo has two documents that can be considered as policies on social and environmental standards and that demand compliance with these standards by employees and business partners. The Tchibo Social and Environmental Code of Conduct for Business Partners (Tchibo Social and Environmental Code of Conduct – Tchibo SCoC) and the Principles for Social and Environmental Compliance in the Non Food Business, which also contain the Tchibo Social and Environmental Code of Conduct for Business Partners.



The Tchibo Social and Environmental Code of Conduct (SCoC) defines minimum requirements with regard to working conditions and environmental standards. This document is the basis for all purchasing contracts. By signing the SCoC, producers undertake to comply **with social and environmental standards** at their production facilities, inter alia labour protection, the ban on child labour or discrimination, the recognition of trade union rights and measures to prevent negative environmental impacts.

In the document **Principles for Social and Environmental Compliance in the Non-Food Business**, Tchibo clearly states that it bears a shared responsibility with its business partners for complying with social and environmental standards. In this document, the company outlines which are the **relevant themes**. The social themes mentioned are **forced labour, child labour and young workers, discrimination, disciplinary measures, working contracts, wages and compensation, hours of work, freedom of association and collective bargaining, and health & safety. Environmental topics are environmental protection and chemical management**. Tchibo also emphasises its zero tolerance policy with regard to corruption and bribery.



It also states how business partners must implement the policy in the supply chain. The company demands that its business partners have an overview of the supply chain which allows them to promote and monitor implementation of this Code in the chain. They shall also inform employees in the supply chain about the contents of the Code in a way that is accessible for them and which they can understand. Beyond this, in this document Tchibo obliges its business partners to ensure that auditing and testing of potential producers is carried out and reserves the right to conduct unannounced audits and/or discharge tests (for example water, sludge, air emissions) through own personnel and/or independent external auditing bodies. If violations are ascertained, there are specified periods within which the supplier must take remedial action.

Policy statement

Example: Bay City Textilhandels GmbH

Bay City sets out its commitment to comply with social and environmental due diligence obligations in its Declaration of Principles. This consists of an Internal and an External Code of Conduct. The **Internal Code of Conduct** cites principles relating to discrimination and sexual harassment, avoiding conflicts of interest, dealing with gifts/benefits and operational information and data, as well as occupational health and safety for employees. **The External Code of Conduct** constitutes a commitment by business partners in the area of sourcing. The Code of Conduct is the basis for every business relationship and non-compliance will result in its termination.

The company also places **a particular focus on environmental policy and emphasises** this by its commitment to act in a sustainable and resource-saving manner and take specific measures at its own site. Bay City also highlights the environmental aspect in connection with product development, explicitly naming materials (certified materials, recycling materials and alternative materials, animal welfare and binding specification lists for chemicals (RSL, ZDHC MRSL, GOTS and OEKO-TEX).

Another key aspect of the Declaration of Principles is risk analysis in order to minimise negative impacts on people and the environment by reducing existing risks. The company also refers to complaints mechanisms and states the existing channels for remedying violations of human rights.

BayCity
Textilhandels GmbH

“Our clearly set and daily pursued aim is the continuous reduction and prevention of negative impacts on people [such as women, ethnic and/or religious minorities, national & international migrants, indigenous peoples, LGBTQI, homeworkers and members of the affected community] and the environment.”

Bay City Declaration of Principle, p. 8



Policy statement as part of the position paper “Human Rights and Environmental Protection Due Diligence System for the Sourcing of Commercial Goods”

Example: Lidl

Lidl has integrated its policy statement into a **position paper** (Human Rights and Environmental Protection Due Diligence System for the Sourcing of Commercial Goods) in which it sets out its commitment to comply with **social and environmental due diligence obligations** along the entire value chain. The company follows a risk-based management approach to the focus areas identified as those of key importance for its business (climate change, water, the circular economy, human rights, raw materials, biodiversity and **responsible products**). This approach is based on a commitment to internationally recognised guidelines, including the UN Sustainable Development Goals, UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Based on individual materials and products, the document presents an overview of social and environmental risks in individual countries. With regard to textiles, risks countries for cotton and cellulose are named. Lidl also explains how policies and procedures are defined based on the risk analysis. For example, on its website Lidl publishes binding position papers for buyers and suppliers with regard to the risks related to specific raw materials. These papers set out the goals and measures that Lidl intends to use to counteract the specific social and environmental risks for each raw material to be sourced and are an integral part of Lidl's buying practices as a binding requirement. Lidl also trains its buyers and business partners on the sustainability goals relating to raw materials and checks to make sure that these requirements are being observed.

The company assesses suppliers based on sustainability criteria and examines them by means of audits. Lidl simultaneously requires its business partners to take relevant measures themselves in their upstream supply chains and to oblige their own suppliers to observe the code of conduct.



“To define what ‘sustainability’ means for Lidl, we have developed a vision, a mission, key points and concrete measures as part of a strategic analysis, and have made them binding. When developing this strategy, we not only discussed it carefully internally, but we also took into account the expectations of our customers and society, NGO priorities, regulatory developments and progress in scientific knowledge. On selecting the measures, we also took into account our potential impact when planning and influencing supply chains.”

Position Paper on the
Due Diligence System, p.5



Human Rights Statement

Example: FOND OF

Despite the title of the document, in its Human Rights Statement FOND OF also addresses environmental due diligence obligations. It spells out its commitment to comply with social and environmental due diligence and emphasises the fact that the company's actions are in harmony with people and the environment. In the succinct document that sums up the key points, the company names the following aspects:



- 1 **Social and environmental footprint:** The company recognises that the goods it produces inevitably have a social and environmental footprint that can be minimised but not entirely prevented.
- 2 **Special focus on human rights:** By preventing violations of human rights, strengthening those rights and taking remedial action in the event of human rights violations, it places a strong emphasis on human rights. FOND OF undertakes to protect in particular the rights of vulnerable stakeholder groups (children, displaced persons, women, guest workers and ethnic and religious minorities).
- 3 **Minimising negative impacts on the environment:** In order to minimise negative impacts on the environment, the company focuses on upholding stringent environmental standards in the production of fabrics and accessories.
- 4 **Measures taken:** To fulfil its responsibility, the company names various measures. These include an OECD-compliant risk analysis, the formulation of requirements to be met by suppliers and the monitoring thereof, training courses, examination of the company's own purchasing practices by the Fair Wear Foundation through to the establishment of a complaints mechanism.

Combination of social and environmental themes in policies

Policy statement on compliance with social and environmental standards (example: Tchibo)

- Draw up a policy stating the relevant social and environmental issues in the value chain. State clearly that compliance with these social and environmental standards applies to suppliers, service providers and business partners.
- Social and environmental themes may be: forced labour, child labour and young workers, discrimination, disciplinary measures, employment contracts, wages and compensation, working hours, freedom of association and collective bargaining negotiations, health and safety, environmental protection and chemical management.
- These themes are largely the same as the sector risks for the textile sector, which are also addressed by the Partnership for Sustainable Textiles and its members.
- Management practice: Explain how the policy needs to be implemented and point out the need for business partners to integrate social and environmental standards into their company policy.

Policy statement (example: Bay City Textilhandels GmbH)

- With a policy statement, you can simultaneously provide a code of conduct for employees and producers.
- While addressing social and environmental themes in the entire supply chain, you can also focus on environmental aspects of product development.
- In the policy statement, you can name the implementation of a risk analysis and the setting up of complaints mechanisms as key steps for implementing the policy.

Human rights statement (example: FONDS OF)

- Human rights and environmental protection are connected: even if the focus is on human rights, you can use the policy document to make a statement on entrepreneurial action in harmony with people and the environment.
- Relevant aspects such as the measures taken to uphold and promote human rights and to minimise the environmental footprint can also be briefly presented.

Policy statement as part of a position paper on due diligence obligations (example: Lidl)

- The policy statement may be part of a position paper on due diligence obligations.
- The document should present key social and environmental areas of action along the entire value chain and thereby offer an overview of the social and environmental risks that have been identified.
- Name further steps for implementing the due diligence approach. Here, a focus may be placed on buying practices and mainstreaming the due diligence approach in the value chain.





The code of conduct as a specific type of policy

The company examples have shown that a due diligence policy may take various forms in practice, one of the most common being a code of conduct. Examples are the codes of conduct of adidas, Esprit, H&M or Tchibo. A code of conduct should guide the actions of the persons it addresses and prevent unwanted action. The company therefore expects its employees, business partners and suppliers to conduct themselves in a responsible and ethically correct manner, and with integrity.

In this section, we present the code of conduct as a specific type of policy, with a focus on the code of conduct for suppliers. Two examples are also given of the importance that may be given to anti-corruption within a code of conduct.

For support: Code of Conduct of the German Textile and Fashion Industry

The Confederation of the German Textile and Fashion Industry has drawn up a Code of Conduct (CoC) together with its member associations. It is available to all companies in the industry as a voluntary instrument and serves as a guideline for socially responsible corporate action. The Confederation and its member associations drew up this Code in order to support companies in the textile and clothing industry in assuming their responsibility.

The Code of Conduct is a compilation of guidelines. It is intended to guide companies on how to align their individual corporate policies. For small and medium-sized enterprises in particular, it offers practical instructions in the form of practice-oriented basic rules. The CoC exists in eight languages, including English, Chinese, Spanish and Turkish.

It is aligned with international recognised principles for the protection of human and labour rights such as the United Nations Universal Declaration of Human Rights, the ILO core labour standards, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Beyond this, the code is based on relevant international agreements for the protection of the environment. It addresses the following topics: basic understanding of socially responsible corporate management, respect for human rights, labour rights and conditions, environmental protection, consumer interests, animal and species protection, communication, implementation and enforcement.

Codes of conduct allow you to guide employees and suppliers as regards appropriate and ethical behaviour for complying with social and environmental due diligence obligations.

The Confederation of the German Textile and Fashion Industry provides a sectoral code as a set of guidelines.



Code of conduct for suppliers and business partners (supplier code of conduct)

Remedying abuses related to labour, environmental and social standards – not only in a company's own production facilities but also, and in particular, among suppliers at various levels of the supply chain – poses a considerable challenge in the textile and fashion industry. In order to implement codes of conduct and social and environmental standards here too, a supplier code of conduct is a suitable instrument. Compliance with this code then forms part of the conditions of the contract.⁸ The table below lists possible aspects of a supplier code of conduct and gives specific examples of companies for individual subject matter.

Possible aspects of a supplier code of conduct

ASPECTS	EXAMPLES
Combination of social, environmental and anti-corruption topics	C&A: Code of Conduct for the Supply of Merchandise
Requirement for suppliers to uphold human rights and introduce corresponding due diligence processes	adidas: Workplace Standards
Stipulations governing subcontracting	Patagonia: Supplier Workplace Code of Conduct
Code of conduct applies beyond tier 1 of the supply chain, ideally tier 1 to tier 4	Patagonia: Supplier Workplace Code of Conduct
Focus on continuous improvement on the part of suppliers	H&M: Sustainability Commitment H&M Business Partner
Reference to a complaints mechanism for irresponsible business practices on the part of the purchasing companies	Centrica: Our Code
Compliance with basic social and employment standards as part of the joint responsibility of the company and its suppliers and other business partners	Tchibo: Social and Environmental Code of Conduct for Business Partners

⁸ Example: Lululemon Athletica: [Supply Agreement](#)



Anti-corruption as a topic in the (supplier) code of conduct

Within global supply chains, corruption poses a challenge that has serious adverse impacts on social and environmental issues. Companies therefore record the relevant expectations of their suppliers in a (supplier) code of conduct.

Fair Play Code of Conduct

Example: adidas

adidas has published its '[Fair Play](#)' [Code of Conduct](#) that sets out the company's expectations of ethical conduct based on its compliance guidelines. It is directed at all of the company's employees and states the obligation of everyone at the company to conduct themselves with integrity. Alongside other aspects of integrity, the prevention of bribery and corruption is examined in the section entitled 'Integrity in how we do business'. In so doing, the company clearly sets out what it expects of its employees:

adidas

- 1 They must immediately reject any bribes and never offer any bribes to anyone
- 2 Recognise and take steps to stop any potential bribery or corruption or the appearance of bribery or corruption involving adidas or any of its partners
- 3 Strictly follow the company's Corporate Giving Policy with regard to donations
- 4 Report any suspected, actual, attempted, or potential instances of bribery or corruption involving any adidas employees or partners

In its related [Compliance Policy](#), adidas has set out measures to be taken to address violations of the Code of Conduct.



Code of Conduct for employees

Example: Hugo Boss

The Code of Conduct contains the binding rules that HUGO BOSS has adopted to ensure ethical and legally compliant conduct: The rules are mandatory and must be adhered to by all HUGO BOSS employees as they go about their daily work. The topic of anti-corruption is also covered.

HUGO BOSS does not tolerate any form of direct or indirect bribery, corruption or other unjustified granting of advantages to partners, public officials, decision-makers or other third parties.

The Code of Conduct contains clear guidelines on **how to handle gifts and invitations for employees and the granting of advantages by employees**. Employees are prohibited from accepting or asking for personal advantages in connection with their own job. This applies in particular to gifts of money. In terms of the granting of advantages by own employees, gifts may only be given and invitations may only be extended in accordance with internal guidelines. This prevents influence being exerted on business decisions or the appearance of doing so being created.

Supplier Code of Conduct

Example: C&A

In its Code of Conduct, C&A sets out its requirements to tier 1 and tier 2 suppliers in its supply chain. The Code underlines the company's zero tolerance policy towards violations of social, environmental and compliance standards that are defined in the Code. The requirements relate to legal compliance, labour standards, the environment and **anti-corruption**. It is important to note that the provisions in the Code of Conduct constitute minimum standards and that C&A expects suppliers to aim for continuous improvement.

In the field of **anti-corruption**, C&A specifies that suppliers must comply with all applicable anti-bribery and corruption laws. The Code of Conduct prohibits bribes of any kind and requires suppliers to have an anti-corruption policy and procedures in place and to ensure that these operate effectively.

HUGO BOSS

C&A

THE KEY ELEMENTS IN A NUTSHELL

- Define the thematic areas you wish to set out in the supplier code of conduct and group several themes together in a code of conduct if necessary.
- Formulate specific requirements on different aspects, such as the applicability of the supplier code of conduct to the entire supply chain.
- State that you expect ethical all of the company's employees to conduct themselves with integrity. Spell out the relevant requirements to your suppliers and other business partners.
- Company examples show that the requirements are often considered as minimum standards and that continuous improvement is expected.
- Formulate measures to examine the requirements and take action if suppliers do not meet the requirements.



Implementing the policy in your own organisation

Putting a policy in place does not in itself guarantee that social, environmental or other goals will be effectively implemented. Studies confirm that it is not sufficient to send codes of conduct to suppliers. In recent years, this has not achieved a great deal in terms of improving working conditions in the examined textile factories.⁹ When developing a policy, you therefore need to set up internal processes and measures to make business partners familiar with the requirements contained in the documents, to explain these requirements, monitor compliance with them and also learn on a continuous basis from the experience gained.

⁹ See <http://www.emeraldinsight.com/doi/abs/10.1108/IJOPM-10-2012-0467>

What can you do to implement a policy effectively?

To implement a policy effectively, you need to set up corresponding implementation structures. Otherwise the development of a policy will only cost money and a lot of administrative effort without any specific improvements being achieved. Generally speaking, you need to make responsibilities clear and integrate the policy into your internal processes, for example by:



Embedding it in operational processes – for example as part of the terms of contracts, thereby making it clear that non-compliance with the policy entails sanctions.



Conducting training and communication measures, that ensure that those people to whom the policy is addressed understand its contents and know how to adapt workflows and decision-making processes if required.



Regularly monitoring implementation and if necessary updating the policy in view of new risks.



Effectively communicating the policy is therefore a further factor that determines its success. Make sure the people to whom the document is addressed are familiar with it and understand its content. Publicise the document(s) among all stakeholders, i.e. your own staff, business partners and producers. Publish it on your own website too. Depending on the size of your company and your target group, additionally offer training courses, one-to-one discussions, information events or other formats in order to explain the content of the policy and answer questions.

Finally, you should use indicators to examine whether you are really implementing the standards defined in the policy and how effectively it is being integrated into internal processes. adidas offers an example in the form of its supplier performance audits using its Key Performance Indicators (KPIs) for suppliers. With this, adidas examines both the implementation of standards and the effectiveness of its own monitoring measures.

How can you anchor policies in operational processes and review their implementation?

In the following section, we have compiled starting points and practical examples for the further implementation of policies:

- 1 Creating incentives and responsibilities:** The Reference tool on Supply Chain Social Performance Management Systems of the Consumer Goods Forum is useful for this purpose. The 'Internal organisation' section contains detailed instructions for implementing social compliance policies inside an organisation (pp. 6–32).
- 2 Integrating the code of conduct into the terms of a contract:** It is standard practice for purchasing companies to demand that suppliers comply with the code of conduct and to set this out in the terms of the contract.
- 3 Communicating and training:** Communicate the policy and train both your own employees and suppliers in this respect.

THE KEY ELEMENTS IN A NUTSHELL

- Implement policies by integrating them into internal processes.
- Including policies as a component of supplier contracts is key in order to underline the importance of the policies, but does not automatically mean that suppliers will comply with their content.
- Communication and training play a crucial role in embedding the policy.
- You should regularly review the implementation of policies and codes of conduct.





Communication and training materials

For your own staff

- ✓ Training materials, webinars and training courses offered by the Partnership for Sustainable Textiles in order to implement the Partnership's goals (all the relevant information is grouped together [here](#)).
- ✓ The [ZDHC Academy](#) offers various webinars and training courses on sustainable chemical and waste–water management for brands and retailers as well as suppliers.
- ✓ The [FWF guide](#) 'Basic health and safety check for CSR Staff and Supply Chain Managers' contains pointers and checklists to help spot health and safety problems between formal factory audits.
- ✓ The [FWF's 'WellMade' website](#) contains compact training materials for staff from different departments and case studies on possible action to be taken if problems arise during the procurement process.
- ✓ In the UN Global Compact [publication](#) *Designing Effective Human Rights Training Aligned with the Corporate Responsibility to Respect in the UN Guiding Principles on Business and Human Rights*, you will find information on designing human rights training programmes, formats and potential content matter.

For suppliers

- ✓ The PUMA Sustainability Rulebooks on Environmental Standards, Chemical Management, Social Standards, Occupational Health and Safety, and Slavery and Human Trafficking provide suppliers with specific instructions on how they can implement the standards enshrined in the PUMA Code of Conduct.
- ✓ The [Tchibo Detox Supplier Handbook](#) gives suppliers specific guidance on how to set up and implement a good chemical management system that complies with Tchibo's Detox approach.
- ✓ The [ZDHC Wastewater Guidelines](#) contain instructions and guidance on how suppliers in the textile supply chain can improve their wastewater management.
- ✓ The [Patagonia](#) 'Migrant Worker Employment Standards & Implementation Guidance' helps suppliers to implement the listed standards (including a template for codes of conduct and checklists for recruitment agencies).



Annex: Elements of a code of conduct for suppliers & business partners

BASED ON CURRENT PRACTICE

Objective and applicability of the code of conduct

Introduction: Presenting the company and its sustainability strategy

Where applicable, briefly introduce your company and its social and environmental sustainability strategy.

Frame of reference: National and international requirements

- ... Spell out your company's voluntary commitment to respecting and upholding relevant international and national requirements, for example the commitment to respect human rights and perform due diligence processes.
- ... State, for example, the international and national social, environmental and anti-corruption standards and requirements on which your code of conduct is based.
- ... Explain how you address potential conflicts or differences between international and national requirements.

Expectations & target audience

Define your general expectations of suppliers or business partners. State clearly the business partners to whom the code applies (for example importers, licence holders or business partners along the entire supply chain) and how your business partners and producers are required to implement the code. This also includes rules on subcontracting.



Specific instructions to business partners and producers

Selection of relevant social, environmental and anti-corruption themes

- ... Here you address social, environmental or other important themes that are relevant to production processes and call for compliance on the part of business partners and producers. If there are internationally recognised standards that apply to the specific themes, you should name these in the supplier code of conduct (for example relevant ILO conventions).
- ... Use the stipulations made by the Textile Partnership for guidance. In particular, make sure that binding requirements are set out in the policy (enshrinement of the Partnership's social goals; compliance with the ZDHC chemicals list (as a minimum standard); establishment of a wastewater standard, zero tolerance of corruption; ban on unauthorised subcontracting, requirements regarding the use of new wool).
- ... List both fundamental issues such as legal requirements, prohibition of child labour and forced labour, and specific issues that represent a particular risk (for potentially affected people) in your business relations, for example home-workers, migrant workers, the handling of hazardous chemicals, etc.

Requirements to be met by the management system

Here you describe the extent to which you require your business partners and suppliers to introduce an appropriate management system to implement the supplier code of conduct. In so doing, define the minimum requirements you make of such a system, for example in terms of responsibilities, defining processes, documentation, etc.; place special emphasis on effective complaints mechanisms for the employees of business partners and producers.



Monitoring and complaints mechanisms

Monitoring: Examining requirements

- ... Describe how you examine compliance with the code of conduct and explain to what extent you ask your suppliers to cooperate in this context.
- ... If necessary, explain how you will support suppliers with practical implementation of the requirements and with continuous improvement, for instance through training.
- ... Define a clear escalation process to deal with infringements or in the event that your suppliers or business partners refuse to cooperate.

Complaints mechanism: Reporting infringements

- ... Explain to employees of business partners and producers the complaints mechanisms and channels available inside or outside the company for reporting infringements of the code of conduct or unfair business practices, and when infringements can and/or must be reported.
- ... Briefly outline how the complaints mechanism works (for example how affected parties can access the mechanism, what happens after a complaint is received, responsibilities, etc.).

General notes

- ... Date on which the supplier code of conduct was adopted.
- ... Where applicable, department, name and position of company representatives who signed the supplier code of conduct.



IMPRINT

Editor

Partnership for Sustainable Textiles
c/o Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
Friedrich-Ebert-Allee 32+36
53113 Bonn

T +49 228 4460 3560
E mail@textilbuendnis.com
I www.textilbuendnis.com

Design

Eps51, Berlin

Date

March 2022