



DRIVE SUSTAINABILITY TRAINING REPORT 2018

2018 supplier trainings reveal geographical
differences in sustainability concerns

TRAINING COUNTRIES 2018

Capacity building is at the heart of Drive Sustainability's impact-focused approach. In 2018, Drive Sustainability doubled the scope of its supplier trainings year-on-year, involving a total of 650 suppliers in 5 countries on how to improve their sustainability performance. Facilitated by Drive Sustainability, the trainings were locally implemented by Deloitte in 4 countries. Trainings in China, the fifth country, were organized by Drive Sustainability China in collaboration with GoldenBee CSR Consulting.

Results from training participant polling in Mexico, Spain, Hungary and Thailand show how sustainability concerns vary from country to country.



Supplier trainings:
19 one-day sessions in 2018



Participants: 650



Function groups:
HR, EHS, CSR, purchasing, strategy



Connecting on: Environment, EHS, Ethics,
Human Rights & Working Conditions

DRIVE SUSTAINABILITY TRAINING APPROACH

Drive Sustainability's supplier training approach prioritises solution-oriented learning. The training content is based on the Automotive Industry Guiding Principles, a set of common guidelines outlining expectations that the ten automotive partners of Drive Sustainability hold for suppliers on key responsibility areas such as health & safety, environment, human rights & working conditions and business ethics.



LOCALIZED CONTENT

Sustainability challenges are best addressed at a local level with local stakeholders. These challenges are country-specific, defined by local legislative and socio-economic contexts. As a result, training content is tailored to local needs for each country.



WORKSHOP STYLE

The trainings are delivered in the format of a workshop. Participants are asked to share their challenges and experiences in group exercises, making "exchange" a key element of the training approach.



IMPROVEMENT PLAN EXERCISE

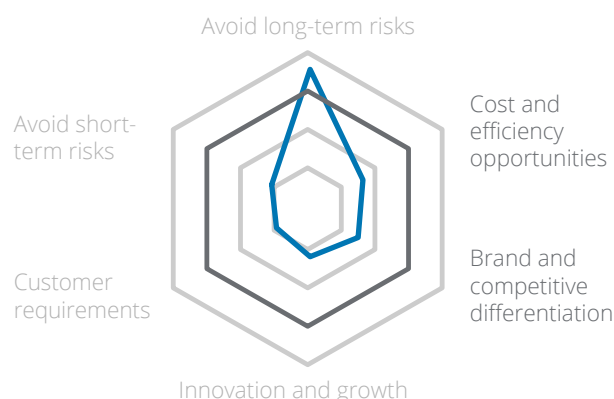
Throughout the training day, participant groups develop improvement plans based on the identification of practical challenges, root causes and corrective and preventive actions under the guidance of local Deloitte consultants.



BEST PRACTICES

Detailed case studies from the automotive industry on how to best address key local sustainability issues are a vital element of the training approach.

Participant polling: Why does sustainability matter for your business?



PARTICIPANT POLLING

During the trainings, polling was conducted with participants on their preferences and priorities, e.g. which Guiding Principle topics they regarded as a priority in their daily work. Using a polling application, participants were required to allocate 100 points to various categories. The following pages illustrate the country-specific differences per theme. Overall, participants overwhelmingly identified 'avoiding long-term risk' as being the motivation to embed sustainability in operations.

N.B. For Thailand, only partial data was available and hence their data is not reflected in the figures in the following pages. The training in China was conducted by Drive Sustainability's local network and are hence not represented in this report.

HEALTH & SAFETY

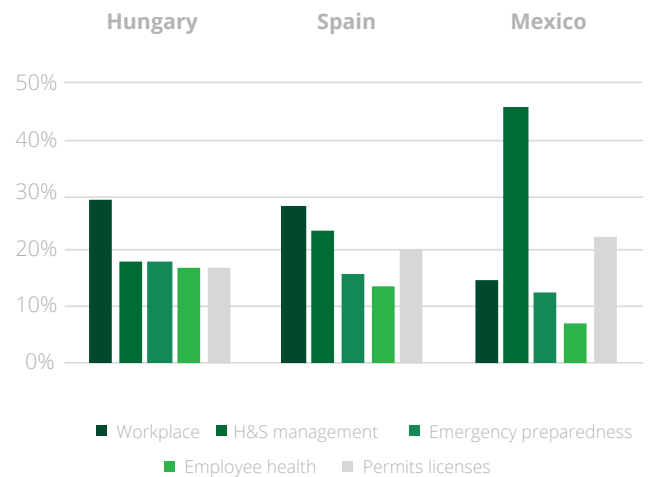
Health & safety is an important aspect in the supply chains of the automotive industry. It relates to safety of day-to-day operations; from the sourcing of materials to the installation of equipment. Consequently, across all countries, health & safety was a recurring topic during the trainings.

KEY TAKEAWAYS:

Work place safety as a concern was ranked the highest in Hungary and Spain. In Hungary the lack of proper, well-qualified, experienced, Hungarian speaking workforce is causing serious safety issues in the workplace. In Spain, awareness-raising on workplace safety among employees, and especially among subcontractors, remains a key issue.

Health and safety management systems were most interesting for training participants in Thailand and Mexico, as such systems were relatively new to participants. Workplace safety has remained a topic of concern in these countries for several years, and as a result most suppliers have established policies and standards in their respective factories. However, **effective management systems to ensure enforcement and implementation are lacking.**

What H&S topic is a priority?



“It was an important lesson to learn that within the industry, we face very similar challenges. Working in a team, discussing general industrial issues, may lead to the solutions of very specific daily problems.”

Testimonial - participant, Hungary training, 2018

HEALTH & SAFETY: LOCAL ISSUES, ROOT CAUSES AND IMPROVEMENT ACTIONS

During the trainings, participants identified the following key issues, root causes and improvement actions related to Health & Safety (H&S).

Country	Issues	Root causes	Actions
Hungary	<ul style="list-style-type: none"> • High accident rates • Lack of emergency preparedness 	<ul style="list-style-type: none"> • Lack of qualified workforce and H&S awareness • Design of the production space is inadequate (overcrowded) 	<ul style="list-style-type: none"> • Rethinking of training program: in-house vocational training, regular H&S refresher training • H&S based planning of production and storage spaces
Spain	<ul style="list-style-type: none"> • Lack of preventive culture • Ergonomic health issues 	<ul style="list-style-type: none"> • Low integration of safety issues in management hierarchy and with subcontractors • Lack of analysis of safety risks • Production processes do not consider ergonomic health factors 	<ul style="list-style-type: none"> • Implement H&S monitoring indicators and link to KPIs • Analyse safety risks through worker consultation • Training of production engineers on ergonomic factors
Mexico	<ul style="list-style-type: none"> • Lack of H&S management system 	<ul style="list-style-type: none"> • Lack of investment in H&S • Lack of H&S policies, planning and responsibilities 	<ul style="list-style-type: none"> • Kaizen program for employees on workplace safety topics • Implementation of internationally recognized integrated management systems (environment, H&S)
Thailand	<ul style="list-style-type: none"> • High accident rate and lack of H&S management system 	<ul style="list-style-type: none"> • Lack of safety mechanisms, instructions and gear e.g. driver control and personal protective equipment, loading limits 	<ul style="list-style-type: none"> • Establish H&S policies and train employees on H&S instructions and safety gear usage • Define accident cases as key performance indicator (KPI)

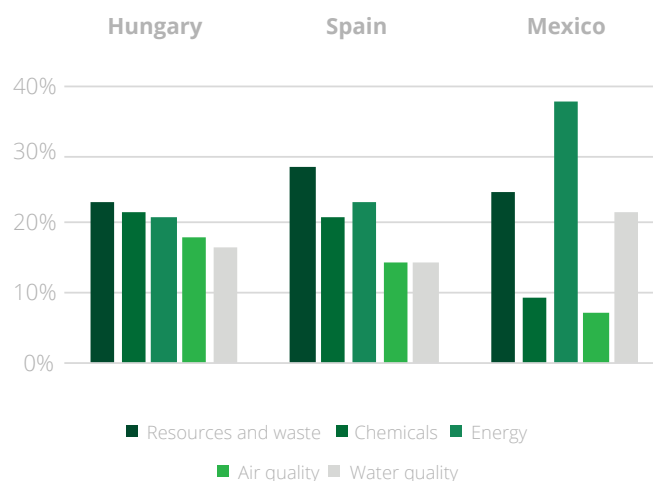
Environmental topics are at the forefront of sustainability concerns related to the automotive industry and supply chain. Energy consumption, greenhouse gas emissions and waste management are predominant concerns to stakeholders. This is mirrored in the importance given to these topics by automotive suppliers.

KEY TAKEAWAYS:

Resource and waste management as a topic ranked the highest as a topic across all training countries, except Mexico. In Hungary, Spain and Thailand, participants reported that natural resource management and waste reduction is a key concern due to increasing attention from stakeholders such as customers, communities and governments.

Energy consumption and GHG emissions outrank concerns over natural resource management in Mexico, although the latter topic remains relevant. This could be due to new Mexican regulations, requiring the **quantification of greenhouse gases** and the **responsible consumption of energy**, reportedly posing a challenge to local suppliers.

What environmental topic is a priority?



“These topics have great impact in society and in the industry; we need to know more to implement them in the best possible way we can.”

Testimonial - participant, Mexico training, 2018

ENVIRONMENT: LOCAL ISSUES, ROOT CAUSES AND IMPROVEMENT ACTIONS

During the trainings, participants identified the following key issues, root causes and improvement actions related to environment.

Country	Issues	Root causes	Actions
Hungary	<ul style="list-style-type: none"> High energy consumption Waste management 	<ul style="list-style-type: none"> Overuse of technology and lack of secondary use (energy loss) Waste separation difficult due to deployed production technology 	<ul style="list-style-type: none"> Training for employees on energy efficiency Introduction of secondary use (residual heat, water) Adaptation of production technology and waste management process planning
Spain	<ul style="list-style-type: none"> High energy consumption and cost Waste management 	<ul style="list-style-type: none"> Lack of reliable data on energy use in production lines, lack of energy audits Lack of knowledge on waste management and waste typologies Production process design not adapted to waste reduction 	<ul style="list-style-type: none"> Introduce an energy management system (EMS) and link it to management KPIs Establish financial indicators to monetize environmental inefficiencies Develop waste typology inventory Involve environmental experts in production design
Mexico	<ul style="list-style-type: none"> High energy consumption and very high cost Waste management 	<ul style="list-style-type: none"> Lack of equipment maintenance and investment in emission abatement technologies Lack of awareness on waste separation and difficulty of plastic waste recovery 	<ul style="list-style-type: none"> Identify GHG emissions sources and monitor energy consumption Investment in renewable energy Awareness raising through training and billboards Support of local educational facilities, demonstration recycling best practices
Thailand	<ul style="list-style-type: none"> Bad air quality around factories (chemical exhaust, dust) Waste management 	<ul style="list-style-type: none"> Poor filter systems, lack of preventive maintenance Lack of awareness on waste separation and environmental topics 	<ul style="list-style-type: none"> Equipment updates and employee training on preventive maintenance Employee training on waste reduction and define waste management as key performance indicator (KPI)

HUMAN RIGHTS & WORKING CONDITIONS

Given growing awareness and regulatory and stakeholder expectations to ensure human rights across global value chains, topics related to human rights & working conditions have become a central consideration in sourcing decisions. Across all training countries, the topics of fair wages, non-harassment and -discrimination were widely discussed.

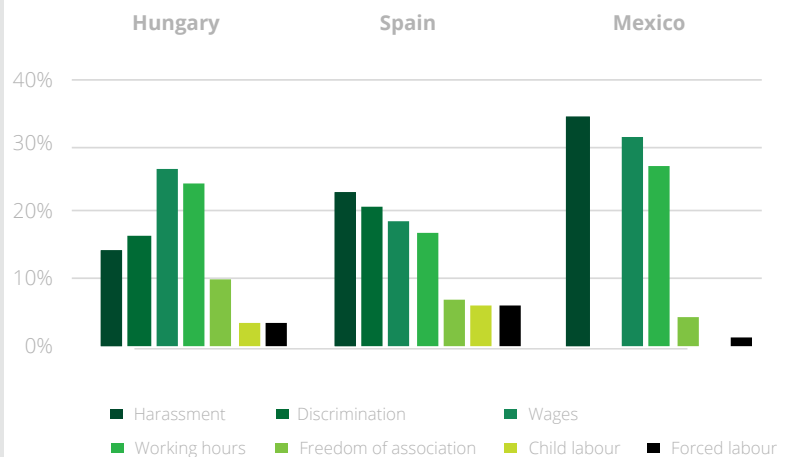
KEY TAKEAWAYS:

Fair wages and benefits, as well as **overtime regulation** came out as the top sustainability business challenges for participants, irrespective of their country.

Wages and benefits for pregnant employees and over-time regulation were concerns for participants in Thailand. In Hungary, participants focused on the challenge of restricting overtime while mediating workers' demand and financial reliance on overtime, as well as retention.

Harassment and non-discrimination was also a concern to most participants, reflecting increasing stakeholder attention on the topic. Participants in Mexico in particular were concerned about how to address an issue which they reported to be culturally bound and systemic.

What human rights topic is a priority?



"It was very interesting to have the possibility of exchanging experiences and ideas among different companies from the sector, and sharing our day to day concerns trying to find common solutions."

Testimonial - participant, Spain training, 2018

HUMAN RIGHTS: LOCAL ISSUES, ROOT CAUSES AND IMPROVEMENT ACTIONS

During the trainings, participants identified the following key issues, root causes and improvement actions related to human rights and working conditions.

Country	Issues	Root causes	Actions
Hungary	<ul style="list-style-type: none"> Wages Overtime 	<ul style="list-style-type: none"> Lack of employer branding Worker demand for overtime Lack of collective agreement 	<ul style="list-style-type: none"> Employee satisfaction survey Awareness raising on exhaustive benefits package and legislation on overtime
Spain	<ul style="list-style-type: none"> Harassment Discrimination 	<ul style="list-style-type: none"> Lack of action plans to address such issues Lack of training and education Unconscious discrimination Lack of diverse leadership 	<ul style="list-style-type: none"> Employee satisfaction surveys Apply gender and diversity quotas Trainings on leadership Establish whistle-blower channel(s) Involve top management
Mexico	<ul style="list-style-type: none"> Harassment Working hours 	<ul style="list-style-type: none"> Social and cultural tendencies Fear of retaliation upon reporting issues Ignorance of labour regulations Sales surpassing production capacity 	<ul style="list-style-type: none"> Create an ethics committee Communicate whistleblowing mechanism Strengthen code of ethics and enforce Awareness raising on adverse effects of overtime and labour regulations Develop a plan so that sales do not exceed capacity
Thailand	<ul style="list-style-type: none"> Wages Working hours 	<ul style="list-style-type: none"> Worker demand for overtime Lack of awareness regarding overtime and right to compensation Inefficiency of production management Volatile customer orders 	<ul style="list-style-type: none"> Compensate employees for overtime Better production and manpower planning Comply with regulations Adjust wages and salaries Dialogues with the employees

BUSINESS ETHICS

Fair and just operating business practices across the globe are an important factor in ensuring social, political and economic stability. Supplier companies are expected to uphold the highest standards of integrity and to operate honestly and equitably throughout the supply chain in accordance with local laws.

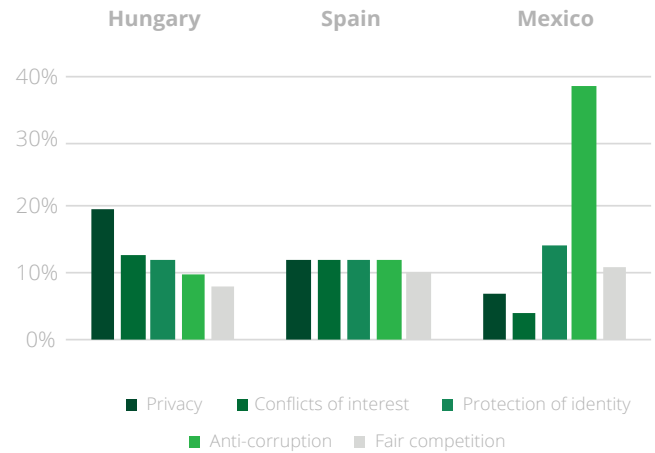
KEY TAKEAWAYS:

Data privacy and **protection of identity** were big concerns especially amongst European participants. This may be the direct result of the recent General Data Protection Regulation (GDPR).

Conflict of interest and **anti-corruption** measures were highest on the agenda in Mexico and Thailand, reflecting the relatively high corruption perception index ranking of these countries. Participants stressed that in their daily work, how to define and specify acts of corruption as well as find mechanisms to enforce anti-corruption policies remains a key priority.

Intellectual property and counterfeit received weak interest from participants, despite global trade in fake goods exceeding half a trillion USD in value. This indicates a lack of awareness around the topic compared to issues such as corruption, which receive stronger public attention from stakeholders.

What business ethics topics is a priority?*



* Only the top 5 sub-issues are displayed here.

BUSINESS ETHICS: LOCAL ISSUES, ROOT CAUSES AND IMPROVEMENT ACTIONS

During the trainings, participants identified the following key issues, root causes and improvement actions related to business ethics.

Country	Issues	Root causes	Actions
Hungary	• Privacy	• Lack of knowledge regarding what is allowed under GDPR	• Need for training on GDPR aspects or similar
Spain	• Privacy • Conflicts of interest • Identity • Corruption	• Lack of procedures and awareness and organisational structure to protect identity, privacy and intellectual property • Cultural aspects • Unfamiliarity with the concept	• Define different types of information and associated levels of confidentiality • Awareness raising and establishing procedures to identify and counter corruption
Mexico	• Corruption	• Lack of knowledge on corruption and how to identify it	• Draft or update policies • Introduce trainings and workshops
Thailand	• Conflicts of interest • Fair competition	• Lack of awareness • Employee blackmailing the employer for higher wages	• Establish a gift and donation policy • Consider to disclose some financial information as a corrective action

WAY FORWARD

These results, although not representative in their sample, have the potential to guide automotive buyers' focus on particular sustainability-related topics when engaging with their supply chain.

Drive Sustainability will use the results to further improve its capacity building offer for automotive suppliers at various tiers of the global supply chain.

The launch of an integrated training offer comprising a preparatory eLearning, knowledge assessment, and revised Face-2-Face training is planned for 2020.

Meanwhile, trainings are continuing through 2019 with the assistance of Deloitte and Drive Sustainability China, involving even more suppliers in China, South Africa and Mexico as well as for the first time covering Malaysia, Poland and Brazil.

To learn more about Drive Sustainability's capacity building activities, visit <https://drivesustainability.org/capacity-building/>.



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