Self-Assessment Questionnaire on CSR/Sustainability for Automotive Sector Suppliers

- SUPPLIER HANDBOOK -

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List of Abbreviations

BMUB	German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
COP	Communication on Progress
CSR	Corporate Social Responsibility
DRC	Democratic Republic of the Congo
EMAS	EU Eco-Management and Audit Scheme
EMS	Environmental Management System
EU	European Union
GCNG	Global Compact Network Germany
GDPR	General Data Protection Regulation
GRI	Global Reporting Initiative
IEEE	Institute of Electrical and Electronics Engineers
ILO	International Labour Organization
IMDS	International Material Data System
ISO	International Organization for Standardization
NGO	Non-governmental Organization
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturer
REACH	Registration, Evaluation, Authorisation, and Restriction of Chemicals
RoHS	Restriction of Hazardous Substances
SAQ	Self-Assessment Questionnaire
SDG	Sustainable Development Goals
SEC	US Securities and Exchange Commission
SME	Small and medium-sized Enterprises
SSCM	Sustainable Supply Chain Management
SASB	Sustainability Accounting Standards Board
UBA	German Environment Agency
UDHR	Universal Declaration of Human Rights
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
3TG	Tin, tantalum, tungsten and gold

1. Introduction

> Our mission is to drive sustainability throughout the global automotive supply chain by integrating sustainability in the overall procurement process.
>
> - CSR Europe on behalf of Drive Sustainability, *Mission*

Many companies set strategic goals aiming to achieve sustainability. Such strategies often include the sustainability-oriented management of companies' suppliers[1], and this leads to the implementation of, for example, supplier assessment tools[2] (Gimenez & Tachizawa, 2012). According to Seuring and Müller (2008, p. 1007), SSCM is "the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e., economic, environmental and social, into account which are derived from customer and stakeholder requirements". Such activities are partially driven by expectations from various stakeholders, including customers, non-governmental organizations (NGOs), government regulation or employees, who demand companies to integrate Corporate Social Responsibility (CSR) also into their supply chains (Seuring and Müller, 2008a).

While the automotive industry is considered one of the most environmentally conscious industries (Peiró-Signes, Payá-Martínez, Segarra-Oña & de-Miguel-Molina, 2014), it also broadened its collaborative efforts for SSCM, especially through the activities of Drive Sustainability, a partnership between ten leading car manufactures to enhance supply chain sustainability in automotive supply chains. This is especially relevant for the automotive industry's original equipment manufacturers (OEMs), as traditionally this industry involves suppliers in the early stages of product development and production (Peiró-Signes et al., 2014). Based on the Drive Sustainability Guiding Principles, the members of Drive Sustainability have developed a joint self-assessment questionnaire evaluating the sustainability[3] performance of OEM suppliers.

Therefore, this handbook focuses on this Self-Assessment Questionnaire (SAQ) and aims to explain its content, as well as to support OEM suppliers in addressing the issues indicated by this specific SAQ.

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[1] Referred to as Sustainable Supply Chain Management (SSCM) in the future context of this document.
[2] The Self-Assessment Questionnaire addressed in this handbook is one possible tool of such activities.
[3] Throughout this handbook, CSR and sustainability are regarded as one overall "process for companies to integrate social, governance, environmental and supply chain sustainability into operations and corporate strategy" (CSR Europe, 2018a, p. 1).

With this handbook, Drive Sustainability provides support for all suppliers along the automotive supply chain, who are either asked to complete this questionnaire, independent of their size, their company structure and their level of knowledge, or who wish to use this SAQ for their own purposes.

2. Supply Chain Sustainability in the Automotive Industry

2.1 Major drivers of SSCM

As indicated above, companies integrate sustainability into their supply chain management for various reasons, either being it derived from their own business strategy, or it being partially motivated by stakeholder demands (Seuring and Müller, 2008a), which is also supported by the aim to avoid reputational damages. In order to identify and manage potentially negative aspects, facets of SSCM shall be integrated in companies' purchasing (and likely development) activities. While there is a tendency to focus on challenging and persistent issues in (automotive) supply chains, SSCM also addresses and identifies clear businesses opportunities, not only with regard to potential increases in resource efficiency.

Since consumer-facing, brand-owning companies are generally held responsible for issues identified in their supply chains, they largely have implemented SSCM, addressing at least their 1st-tier suppliers (e.g. assessing their sustainability performance via the SAQ). As the issues occurring in their supply chains also take place at lower levels, such companies aim to cascade SSCM beyond the 1st-tier level, and to leverage the benefits inherent in SSCM.

Governments in general are an important stakeholder for businesses. They expect businesses to follow laws, including regulations and standards concerning the three dimensions of sustainability (Saeed, Waseek & Kersten, 2017). While on the one hand, many countries have established a variety of regulations, on the other hand, a considerable lack of enforcement exists (Seuring & Müller, 2013). This may explain why, according to the CEO Study on Sustainability (Hayward et al., 2013), only 27 percent of the 1,000 CEOs interviewed report that pressure from governments and regulators is driving them to act on sustainability issues (see Figure1).

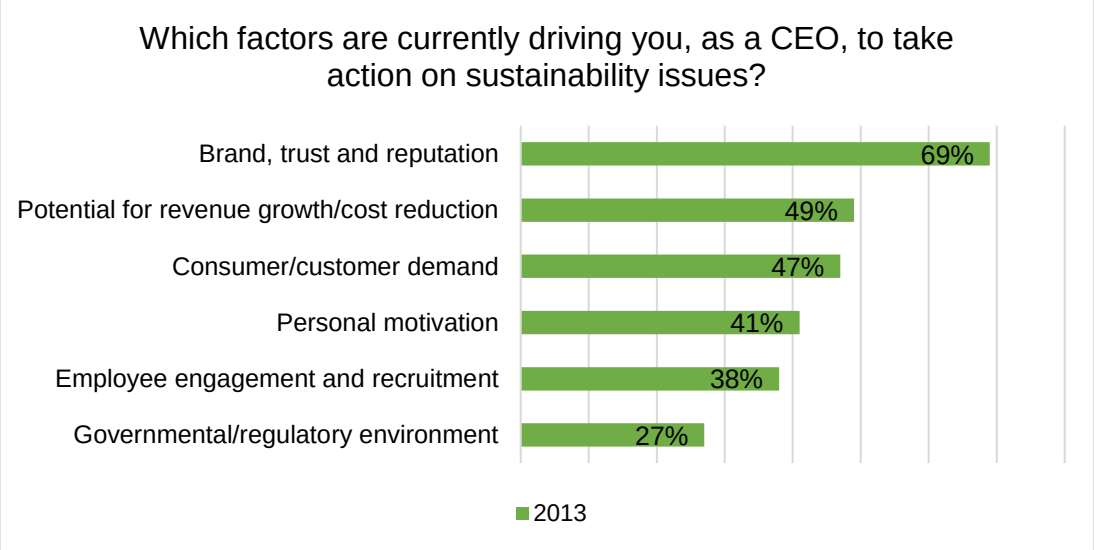

Figure 1: Major Drivers for SSCM 2013 (Hayward et al., 2013, p. 37)

Due to various reasons, OEMs of the automotive industry ask their suppliers for closer collaboration on sustainability. Suppliers are requested to prepare self-assessments such as the SAQ, to prove that policies and management systems are in place and to show commitment towards sustainability by communicating to their staff and training their employees on sustainability-oriented practices (CSR Europe, 2018a). In addition, the first-tier suppliers are committed to sign the individual OEM's supplier code of conduct. In addition, these first-tier suppliers are then encouraged to develop a code of conduct (and other practices) of their own, which these1st-tier suppliers shall then pass subsequently on to their suppliers.

2.2 Drive Sustainability

Drive Sustainability is a partnership of automotive OEMs, facilitated independently by CSR Europe, the leading European business network for CSR (CSR Europe, 2018b). The history of Drive Sustainability dates back to 2007, when engaged companies started to meet informally before uniting into an official group in 2011. The next step was the public launch of the *European Automotive Working Group on Supply Chain Sustainability* in April 2013. Almost four years later, in March 2017, the working group became Drive Sustainability (CSR Europe, 2018c).

2.2.1 Partners

Drive Sustainability brings together global automotive companies which are differentiated by their membership. They are considered either *Lead partners*[4] or *Partners* (CSR Europe, 2018d).

LEAD PARTNERS	PARTNERS
BMW Group	Ford
Daimler	Honda
Scania	Jaguar Land Rover
Volkswagen AG	Toyota
Volvo Group	drive sustainability
Volvo Car Corporation	

Table 1: Partners of Drive Sustainability as of April 2019

2.2.2 Purpose

The partners of Drive Sustainability agree that the "people and the environment are the automotive industry's most important resources" (CSR Europe, 2018d, para. 1). Due to this fact, each OEM member commits to establishing a cooperative supply chain management approach around the globe. Their ambition is to send a common message to their suppliers and other stakeholders concerning sustainability activities and requirements. Moreover, they want to ensure the respectful treatment of workers in the automotive sector, the reduction of the industry's environmental footprint and to ensure business integrity (CSR Europe, 2018d).

2.2.3 Activities

This global approach to supply chain sustainability in the automotive sector is based on the following three pillars and core workstreams: 1) Direction, 2) Compliance and 3) Impact, with all three pillars building on one another (See Figure 2).

The Direction is set by the common strategy and the internal guidelines, such as the Guiding Principles, that apply along the supply chain in addition to the international regulation (Automotive Industry Action Group & CSR Europe, 2017a). All suppliers are expected to uphold these standards and to request their subcontractors and suppliers to do the same.

[4] Do to the fact that some partners are further developed than others in terms of CSR/sustainability they have a double voting right along with more responsibilities.

The Compliance process assesses organisational adherence of automotive suppliers to international regulations and standards in the area of sustainability. Currently, more than 25,000 suppliers in over 100 countries have been assessed using the SAQ (CSR Europe, 2018g).
The Impact work stream summarizes two activity areas, focused on capacity building, with more than 2,000 suppliers engaged in supplier training, and leveraging of a common voice.
Besides that, the members of Drive Sustainability form smaller working groups to address certain topics throughout the year, such as raw materials.

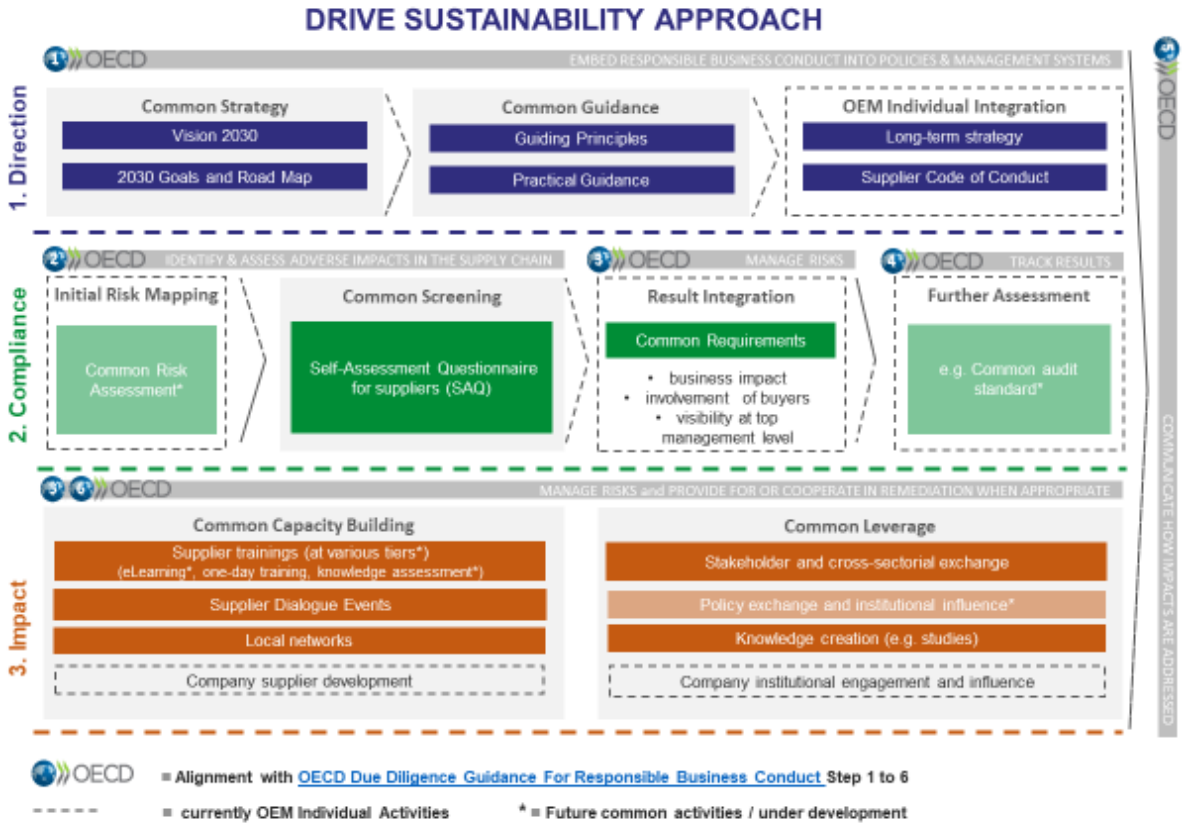

Figure 2: Drive Sustainability approach

3. The Drive Sustainability Self-Assessment Questionnaire

3.1 General information

“To assess the sustainability performance of automotive suppliers, Drive Sustainability developed a common Self-Assessment Questionnaire (SAQ). Focus is placed on social and environmental sustainability, business conduct and compliance, and supplier management. It is aligned with the Global Automotive Sustainability Guiding Principles. The SAQ is globally applicable for

all suppliers in the Automotive supply chain including sourcing, manufacturing, logistics, assembly or retail" (CSR Europe, 2018f, para. 2). The official public launch of the 'Self-Assessment Questionnaire on CSR/Sustainability for Automotive Sector Suppliers' took place in April 2014 (CSR Europe, 2018a). Every two years the SAQ is revised by the group. This process includes a consultation with respective suppliers in order to incorporate their feedback. Meanwhile, version 3.0 is available in the following nine languages:

- English
- Chinese-Mandarin
- French
- German
- Italian
- Japanese
- Spanish
- Turkish
- Russian

The questionnaire is used by all partners[5], however, it is rolled out on different online platforms:

- NQC platform: BMW Group, Daimler AG, Ford, Honda, Scania CV AB, Toyota Motor Europe, Volkswagen Group, Volvo Cars and Volvo Group
- Achilles platform: Jaguar Land Rover

The suppliers get invited via email to complete the self-assessment questionnaire (CSR Europe, n.d.). On each platform, suppliers need to complete the SAQ only once per location and they can share it with all the OEMs using the same platform.

3.2 Structure

The questionnaire relates to both companies and the site level: company refers to the "group/holding the supplier is part of" and site refers to "the industrial location where production takes place" (CSR Europe, 2018a). On its 20 pages, the questionnaire covers the areas company management, working conditions, human rights, business ethics, environment and supplier management. Each area consists of the same types of questions (See Figure 2).

[5] OEMs using the SAQ: BMW Group, Daimler AG, Ford, Honda, Jaguar Land Rover, Scania CV AB, Toyota Motor Europe, Volkswagen Group, Volvo Group, Volvo Cars

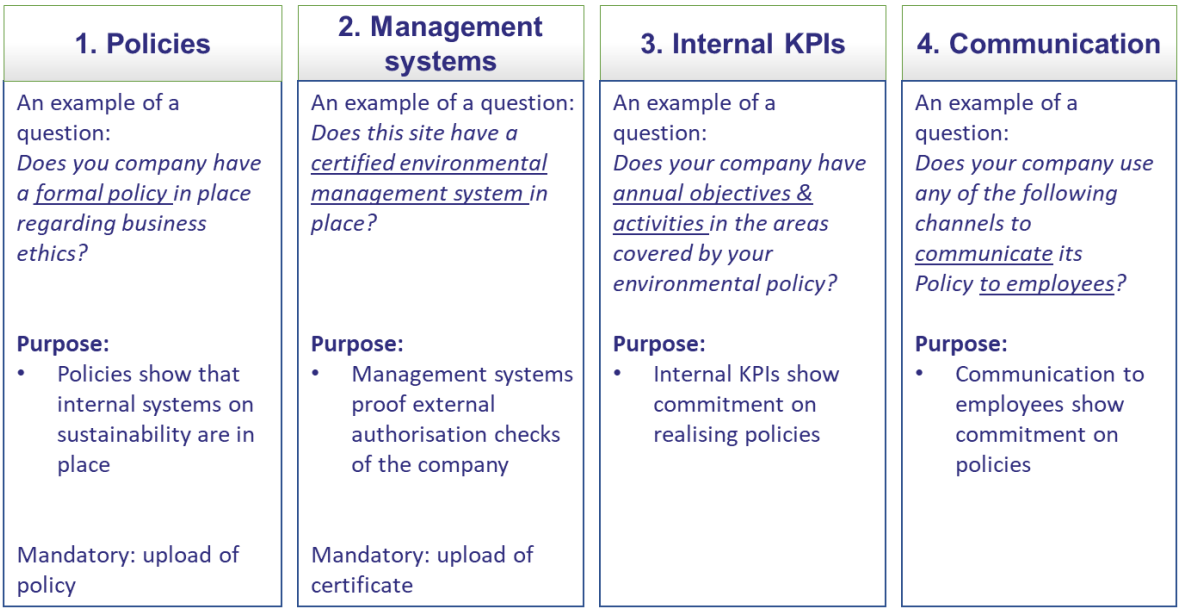

Figure 3: Design of the SAQ

The suppliers are requested to answer questions about company policies (number one in figure 2) and implemented management systems (number 2 in figure 2), which cover general compliance topics. Questions on internal KPIs (number three in figure 2) and internal communication (number four in figure 2 focus on general sustainability topics.

The SAQ clearly indicates for which questions the upload of evidence (e.g. policies or certified management systems) is mandatory. If evidence is requested, the supplier will only get a positive score if the correct document is uploaded.

4. Sustainability topics covered by the SAQ, version 3.0

Each section of the SAQ begins with a table that gives an overview of laws, standards, regulations and other relevant documents related to the respective topic. Furthermore, the table contains a selection of management systems or certifications that can help to meet the requirements of the OEMs. Documents which cover the relevant subjects and can be used for the internal and external communication of the requirements are listed in the tables as well. All tables are merged for an overview in section 4.7. Each table is followed by a description of the relevant questions and by explaining relevant terms. To gain a better understanding, the background and thus the importance of the addressed topic are further explained. Each section includes examples from documents of the OEMs to illustrate possible ways to address certain topics. Furthermore, each section contains recommendations for action and points out possible benefits for the supplier.

4.1 Company management (Questions 1-6)

Questions refer to	Internal documents	External documents (e.g. management systems, certifications and others)
- General sustainability management and reporting of suppliers - Global Reporting Initiative (GRI) Standards; - Sustainability Accounting Standards Board - (SASB); - Climate Disclosure Standards Board (CDPCDSB); - United Nations Global Compact - - Communication on Progress (UNGC-COP	✓ Sustainability/CSR report ✓ Code of Conduct ✓ Training evidence	n/a

Table 2: Questions on working company management (Own representation)

4.1.1 Responsible management person

“Companies are expected to appoint a senior management representative, who irrespective of other responsibilities, serves as a management person responsible for ensuring that the company meets its commitments related to social sustainability, business ethics and environmental sustainability.

Social sustainability relates to practices that contribute to the quality of life of both employees and communities that could be impacted by the company’s operations. Companies should respect the human rights of workers and treat all people with dignity as recognised by the international community. Examples of social topics to address include non-discrimination, freedom of association, health and safety, etc. (See section 4.2).

Compliance relates to the principles that guide business conduct in its relations towards its business partners and customers. 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. Examples of unethical business practice include corruption, unfair competition, conflicts of interest, etc. (See section 4.3).

Environmental sustainability relates to practices that contribute to the quality of the environment on a long-term basis. Companies are expected to support a proactive approach to environmental responsibility by protecting the environment, conserving natural resources and reducing the environmental footprint of their production, products and services throughout their life-cycle. Examples of company practices include greenhouse gas

emissions, waste reduction programmes, etc. (See section 4.4)" (CSR Europe, 2018a).

4.1.2 CSR/Sustainability Report

"A CSR/ sustainability report is an organisational report that gives information about economic, environmental, social and ethical performance" (CSR Europe, 2018a). It is important to track the progress of the company's activities and to communicate that with the help of a sustainability report or the annual report (GCGN, 2015). The *EU directive on non-financial and diversity information disclosure,* and national law respectively (e.g. CSR-RLUG in Germany), requires large companies with more than 500 employees to include a non-financial statement in their annual report (European Parliament & Council of the EU, 2014). This statement shall contain "information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters" (European Parliament & the Council of the EU, 2014, p. 4). Further information is provided in section 4.3.

4.1.3 Code of Conduct

The code of conduct is a compilation of rules of behaviour inside a company (Rößler, 2016). It contains the company's essential values and core beliefs. The observance of the code is a voluntary commitment taken on by the company (Rößler, 2016). Here one must differentiate between the code of conduct towards employees (internal), which is indicated in sections 4.2 to 4.4 and the code of conduct towards suppliers[6], sometimes named supplier code of conduct (external), which is covered in sections 4.5 and 4.6.

4.1.4 Training

"Training sessions to enhance the understanding of CSR/Sustainability refer to companies training their employees on the expectations, policies and procedures relating to Corporate Social Responsibility within the company context. Training is intended to raise awareness on CSR/Sustainability topics, so that specific functions can identify and act on issues they encounter in their day-to-day activities. Training could be function-specific (e.g. training for buyers, managers, etc.), or topic-specific (e.g. on human rights, anti-corruption, Health and Safety, chemical management etc.)" (CSR Europe, 2018a).

[6] From the OEM's point of view, these are sub-suppliers.

4.2 Working conditions and human rights (Questions 7-10)

Questions refer to	Internal documents	External documents (e.g. management systems, certifications and others)
- Universal Declaration of Human Rights - UN Guiding Principles on Business and Human Rights - Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain - ILO Declaration on Fundamental Principles and Rights at Work - OECD Guidelines for Multinational Enterprises (chapter IV) - UK Modern Slavery Act - UNGC Principles 1-6 - Sustainable Development Goals (SDG)	✓ Code of Conduct ✓ Working conditions and human rights policy ✓ Health and safety policy ✓ Employee manual	✓ ISO 26000 Guidance Social Responsibility ✓ Occupational Health and Safety Assessment Series (OHSAS) 18001 superseded by ISO 45001 ✓ SA8000 Social Management System ✓ Human Rights Compliance Assessment

Table 3: Questions on working conditions and human rights (Own representation)

4.2.1 Focus

The questions seven to ten from the SAQ focus on working conditions and human rights, including health and safety regulations. The supplier is asked whether he has policies and management systems in place to address the listed issues (CSR Europe, 2018a). “Human rights are a set of rules that defines how people should be treated, … [including] rights related to political participation and liberty … and rights related to quality of life and well-being” (Baab, 2016, p. 3). It is obvious that some human rights like the right to work or the right to equal pay for equal work are directly influenced by the company’s actions (United Nations General Assembly, 1948). Some others are rather indirectly influenced, but generally businesses can have an impact on almost every human right (Baab, 2016). Therefore, it is important that everybody is aware of the company’s social impacts. Working conditions are directly linked to the respect of human rights. The term refers to issues such as child labour, working hours and non-discrimination. Furthermore, the health and well-being of the employees belongs to this section, because it is affected by, inter alia, the conditions of the workplace (CSR Europe, 2018a).

4.2.2 Background

The 30 articles concerning the rights of all human beings are written down in the *Universal Declaration of Human Rights* (UDHR), which was proclaimed by the United Nations General

Assembly in 1948. At that time, “the most profound violation of human rights in history had mainly been committed by governments” (Baab, 2016, p. 3). Therefore, the UDHR became a historical milestone. The defined rules are universal and apply to every human being throughout the world. They were and are adopted by governments and extended to the private sector (Baab, 2016). This extension caused a debate on businesses’ responsibilities, leading to the development and the adoption of the *UN Guiding Principles on Business and Human Rights* in 2011. According to these UN Guiding Principles, governments have to ensure that companies do not have a negative impact on the residents of the country they are operating in. At the same time, companies have to guarantee that nobody’s human rights are violated through their activities (Baab, 2016; UN, 2011; UN, 2010). The UN Guiding Principles serve to implement the UN Framework (see Figure 4), which has been presented to the Human Rights Council in 2008 and has unanimously been welcomed by the General Assembly of the UN (UN, 2010).

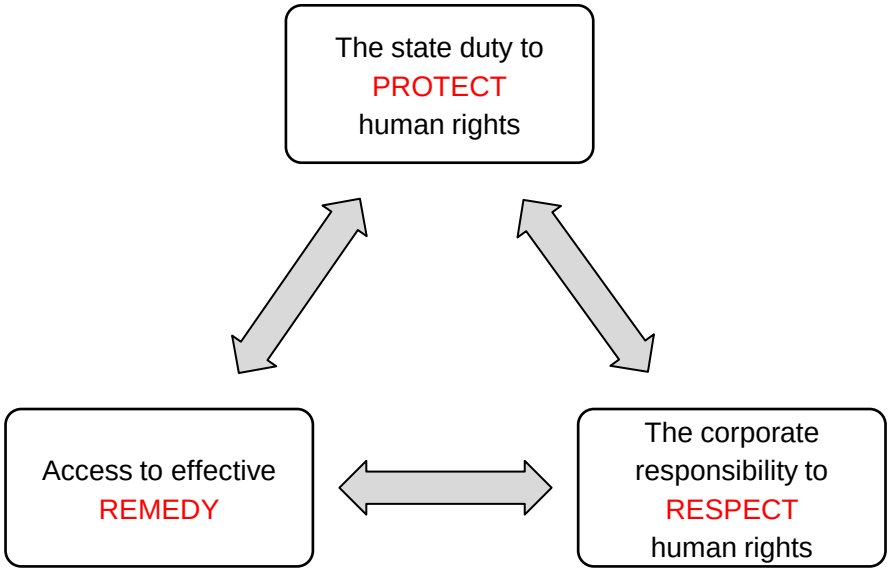

Figure 4: UN “Protect, Respect and Remedy” Framework (Own representation based on UN, 2011)

Besides the mentioned responsibilities, both the state and the business must make sure that victims of human rights abuses have access to remedy through effective grievance mechanisms, judicial and non-judicial (UN, 2010). This is especially relevant, as 38% of globally questioned citizens[7] agree that “they do not know very much or nothing at all about human rights” (Ipsos Public Affairs, 2018a, p. 2). This leads to the circumstance that people potentially being affected by human rights infringements are not realizing that their rights are abused. They also

[7] Base: 23,249 people across 28 countries (Ipsos Public Affairs, 2018a).

likely do not know whom to address these infringements to. Likewise, businesses may not be aware of these infringements (Baab, 2016).

As fair working conditions are a measure to protect human rights at work, the ILO in 1998 adopted the *ILO Declaration on Fundamental Principles and Rights at Work*. The declaration contains subjects such as "[the] freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation" (ILO, 2018, para. 3).

Social standards such as the *Social Accountability SA 8000* are essentially based on the UDHR and the mentioned ILO Declaration (Gogoll & Wenke, 2017). They can be used to implement a system to organize the social responsibility of a company. Some of the most important elements are minimum wage, the limitation of working hours, the prohibition of child labour and forced labour as well as the implementation of a management system which guarantees a permanent monitoring of the company's defined standards (Gogoll & Wenke, 2017).

4.2.3 Recommendations for action

The identification and prevention of the company's social impacts is an ongoing process, which is designated as human rights due diligence (Baab, 2016). The illustration below shows six main steps to understand and avoid the violation of human rights (see Figure 5).

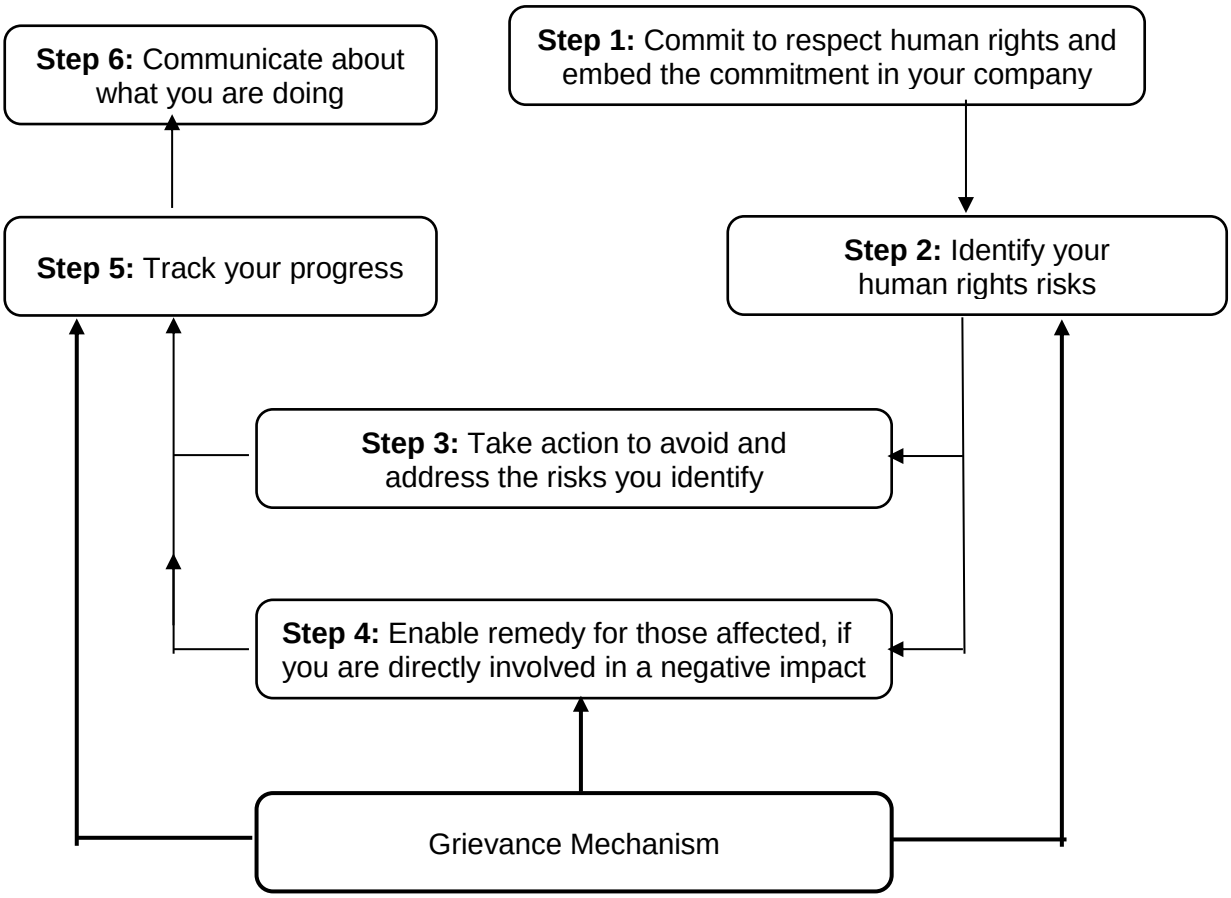

Figure 5: Six steps towards respecting human rights (Own representation based on European Commission, n.d., p. 6)

The first step is a public commitment to respect human rights written by the company owner or the management. This should be integrated into the supplier's code of conduct or be part of the company policies, for example, a working conditions and human rights policy and a health and safety policy (European Commission, n.d.). According to CSR Europe (2018a) "a company policy refers to a business approach to a given issue and contains general principles and/or practical how-to-do items. A policy may include components such as prohibited behaviours, rights and dispute procedures" (p. 5).

> *"We respect, protect and promote all regulations in force to protect human rights and children's rights (hereinafter called human rights) as a fundamental and general requirement throughout the world. We reject all use of child labor [sic] and forced or compulsory labor [sic] as well as all forms of modern slavery and human trafficking. This applies not only to cooperation within our Company but also as a matter of course to the conduct of and toward business partners." (Volkswagen AG, 2017, p. 9)*

The employees should be trained on human rights issues to raise their awareness (UNGC, 2012). A basic knowledge is needed to accomplish a first analysis of possible risks and social issues (Global Compact Network Germany (GCNG), 2015). Through mapping the main business activities and relationships one is enabled to identify people whose rights might be impacted (GCGN, 2015).

Another way is to use existing material from databases, trade unions, NGOs or civil society reports “to understand what they think are potential impacts for ... [the] sector” (GCNG, 2015, p. 17) the supplier is operating in. It is recommended to integrate the assessment of human rights impacts into an implemented risk management system or a health and safety management system, based on a social standard such as the SA 8000 (European Commission, n.d.).

Suppliers can control human rights issues appearing within their own processes and take actions to avoid those (Baab, 2016), including the appointment of a person in charge (GCNG, 2015). These actions could refer to the introduction of minimum wage, safety training for new employees and personal protective equipment (Baab, 2016). Also, problems such as the discrimination within the recruiting process or sexual harassment at work should be addressed (GCGN, 2015). According to Baab (2016) “the important element … is to establish communication channels with the people who are affected by … [the business’] operations and to leave those channels open for an ongoing dialogue” (p.7). A suggestions box for employees or a public email address for individuals from outside the company are possible ways to enable the dialogue (UNGC, 2012; European Commission, n.d.). It is important to track the progress of the company’s activities and to communicate it with the help of a sustainability report or the annual report (GCGN, 2015).

4.2.4 Benefits

The advantages of the compliance with human rights and social standards are sometimes not immediately evident but can be decisive for long-term sustainability (Gogoll & Wenke, 2017). Of course, following the law avoids punishment, but respecting human rights means much more than that (Baab, 2016).

The fair treatment of employees regarding their working and payment conditions leads to a greater satisfaction (UNGC, 2018d)[8]. The staff remains loyal to the employer and the average rate of absences declines (UNGC, 2018d; UNGC, 2018e). Especially the introduction of health and safety measures has a positive impact on the number of accidents at work and the sick days in the long run. The possibility to lose know-how is minimized and the productivity rises. A

[8] For a general analysis of the link between (environmental) supply chain practices and firm performance see Golicic und Smith (2013).

good working climate lowers the staff turnover what automatically reduces hiring and training costs (Baab, 2016). The employer attractiveness as well as the company's general reputation reaches a higher level because CSR/sustainability gains in importance, not only for jobseekers. Stakeholders, such as customers and investors, more easily identify themselves with the company when human rights violations are prevented. In such cases, business relationships become stronger (UNGC, 2018d). The proper handling of social issues is also a competitive advantage and can enable organizations to access new markets (Baab, 2016). A good position within the industry facilitates the customer acquisition and secures the continued existence of the company.

4.3 Business ethics (Questions 11-12)

Questions refer to	**Internal Documents**	**External documents (e.g. management systems, certifications and others)**
- The United Nations Convention Against Corruption - Universal Declaration of Human Rights - EU Directive on Non-Financial and Diversity Information Disclosure 2014/95 - US Foreign Corrupt Practices Act - U.K. Bribery Act - EU General Data Protection Regulation (GDPR) 2016/679 - OECD Guidelines for Multinational Enterprises (chapter VI) - Automotive Industry Guiding Principles - UNGC Principle 10 - SDGs	✓ Business conduct and compliance policy ✓ Anti-corruption policy ✓ Code of conduct	✓ ISO 37001 Anti-Bribery Management System (formerly BS 10500) ✓ ISO 26000 Guidance Social Responsibility ✓ ISO 19600 Compliance Management System ✓ Institute of Electrical and Electronics Engineers (IEEE) Principles of business conduct compliance certificate

Table 4: Questions on business ethics (Own representation)

4.3.1 Focus

The next section of the SAQ (including questions eleven and twelve) focuses on business ethics. This term refers to the expectation towards companies "to uphold the highest standards of integrity and to operate honestly and equitably throughout the supply chain in accordance with

local laws" (Automotive Industry Action Group & CSR Europe, 2017a). In this context, the supplier is asked whether a formal policy covers the following ten subjects, which are shortly explained in the SAQ (pp. 9-11).

- Privacy
- Counterfeit parts
- Conflict of interest
- Intellectual property
- Disclosure of information
- Fair competition and anti-trust
- Corruption, extortion & bribery
- Export controls & economic sanctions
- Protection of identity & non-retaliation
- Financial responsibility (Accurate Records)

At this point, the author only delves into some of the topics listed.

4.3.2 Background

The intent is to act in a transparent manner and to provide stakeholders with access to the company's financial and non-financial information. The objective of the disclosure is to ensure lasting stakeholder satisfaction (Behringer, 2018). The *EU directive on non-financial and diversity information disclosure* requires large companies with more than 500 employees to include a non-financial statement in their annual report (European Parliament & Council of the EU, 2014). This is supposed to contain "information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters" (European Parliament & the Council of the EU, 2014, p. 4).

Corruption is still a major problem around the world (Lennerfors, 2018), although the fighting against it has increased in the last 15 years (Sampson, 2018). The first international convention addressing this topic was the *Inter-American Convention against corruption*, which has been adopted in 1996 (UN, 2004). It took almost ten more years until the *UN Convention against Corruption*, the only legally binding instrument to fight corruption, entered into force in 2005 (United Nations Office on Drugs and Crime, 2018). The NGO Transparency International (2018a) defines corruption as "the abuse of entrusted power for private gain" (para. 1). Transparency International provides information, that can be used to find out more about global corruption, for example, the Corruption Perceptions Index (Transparency International, 2018b) or the Global Corruption Barometer (Transparency International, 2018c).

4.3.3 Recommendations for action

Risks in the abuse of power exist in almost every company (Lennerfors, 2018). Especially, because some people do not know that what they are doing is unethical (Sampson, 2018). Even helping a family member to get a job in the same company (Sampson, 2018) or accepting a gift

from a customer (Lennerfors, 2018) are considered forms of corruption. Therefore, the challenge is not only to raise awareness, but to teach employees which behaviour might have negative consequences for the company as well as for employees (Sampson, 2018). This includes information on how to avoid such behaviour or how to address it when getting caught in a potentially unethical situation. Sometimes, the implementation of an incentive system has a greater effect than the attempt to change people's basic values (Sampson, 2018). One basic step is to introduce an anti-corruption policy or a business conduct and compliance policy in addition to the commitment of ethical behaviour in the supplier's code of conduct for employees[9] (UNGC, 2018f). Referring to the examples given above, one aspect could be a strict no-gifts policy, which applies to every member of the company (Lennerfors, 2018).

> *Honda continuously carries out initiatives to strengthen compliance in order to reinforce the trust established with society. Persons who work at Honda are also required to comply with relevant laws, regulations, and policies while acting ethically. (Honda Motor Co., Ltd, n.d.)*

Furthermore, it is advisable to join a sectoral network to scale up anti-corruption efforts (UNGC, 2018f). The shared experiences can promote the understanding of the own impacts and facilitate the process of reporting. As mentioned before, the sustainability report focuses on several subjects, not exclusively on corruption. The reporting should follow the principle of materiality, which implies to concentrate on the important and relevant information by leaving out the minor details (Mayer, 2017). A materiality analysis helps to identify and prioritize sustainability issues, which are substantial and relevant for the company as well as for its stakeholders (Mayer, 2017). The findings obtained can be summarised in a matrix (see Figure 6).

[9] From the OEM's point of view, these are sub-suppliers.

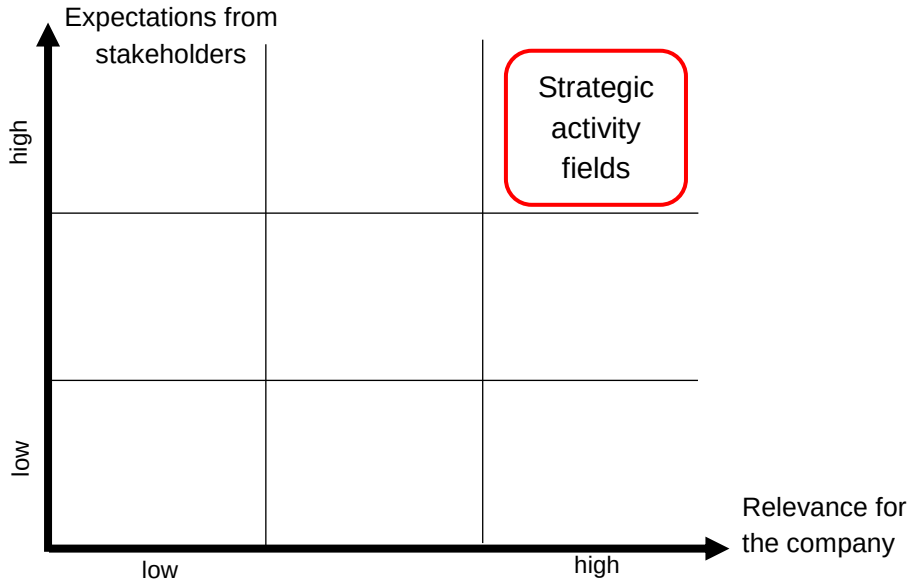

Figure 6: Materiality Matrix (Mayer, 2017, p. 42 based on GRI, 2018)

It quickly becomes apparent, which areas of activity are significant for the organization and its stakeholders. The management should emphasize on those topics and report on progress (Mayer, 2017). According to the *EU directive on non-financial and diversity information disclosure* the companies are free to draw their sustainability reports upon national, EU-based or international frameworks such as the Global Reporting Initiative (European Commission, 2017). In the course of its GRI standard, there are ten reporting principles for achieving transparency in sustainability reports, which are helpful even if the report does not rely on the GRI standards (GRI, 2018). In broad terms, a supplier has to report on their management approaches and their strategies relating to CSR/sustainability (GRI, 2018; Mayer, 2017). Furthermore, they have to describe the measures implemented to reduce negative impacts. It is important to set measurable targets to ensure that changes can be evaluated over time (Mayer, 2017).

4.3.4 Benefits

A standardized (non-financial) reporting allows the comparison between companies (Mayer, 2017). Therefore, a good performance generates advantages over competing suppliers. The transparency reduces the risk of criminal activities and builds trust among stakeholders (Behringer, 2018). A higher credibility leads to more growth and employment (Mayer, 2017; European Commission, 2017). Ethical values become more important for investors (Behringer, 2018), so that “transparent business management is also consistent with longer-term investment” (European Commission, 2017, p. 2). Besides the reputational aspects, the organization

avoids lawsuits and criminal charges (Sampson, 2018). Particularly, fighting and preventing corruption decreases financial costs (Sampson, 2018; UNGC, 2018f). An efficient compliance management system ensures that compliance violations do not threaten the supplier's existence (Behringer, 2018).

4.4 Environment (Questions 13-18)

Questions refer to	Internal Documents	External documents (e.g. management systems, certifications and others)
- The Rio Declaration on Environment and Development (Agenda 21) - Kyoto protocol and Paris Agreement - Automotive Industry Guiding Principles - REACH (Registration, Evaluation, Authorisation, and Restriction of Chemicals) and RoHS (Restriction of Hazardous Substances) - OECD Guidelines for Multinational Enterprises (chapter V) - UNGC Principles 7-9 - SDGs	✓ Code of Conduct ✓ Environmental policy	✓ ISO 14001:2015 Environmental Management System ✓ PAS2060 Carbon neutrality ✓ PAS2050 Carbon footprint ✓ EU Eco-Management and Audit Scheme (EMAS) ✓ ISO 5001 Energy Management

Table 5: Questions on the environment (Own representation)

4.4.1 Focus

The planet as well as those inhabiting it must be protected to ensure a viable future for all. Therefore, questions 13 to 18 from the SAQ focus on the protection of the environment, the climate and natural resources. The suppliers are asked, following the structure of previous sections, whether they have management systems such as those mentioned in Table 5 in place. Particular attention is paid to the handling of restricted substances, the use of the International Material Data System (IMDS database) and the supplier's CDP performance (formerly Carbon Disclosure Project) score (CSR Europe, 2018a).

The CDP, founded in London in 2002, is an international charity with the aim to improve the environmental reporting of companies around the world (CDP Worldwide, 2018a). They collect data from regions, states, cities and companies to analyse their environmental performance and

to score them from A to D (CDP Worldwide, 2018a; CDP Worldwide, 2018b). “Investors, businesses and policy makers use [the] data and insights to make better decisions, manage risk and capitalize on opportunities” (CDP Worldwide, 2018b). CDP has different scoring methodologies for the following three categories: climate change, water security and deforestation. Some of the Drive Sustainability partners reached the climate change A-list as well as the water A-list in 2017 (CDP Worldwide, 2018a; CDP Worldwide, 2018b). Almost all partners are CDP supply chain members (CDP Worldwide, 2018c).

The partners BMW, Daimler, Ford, VW and Volvo were part of the development of the IMDS which is the automobile industry’s material database. The system records and tracks all materials present in finished automobile manufacturing to meet the requirements of national and international laws, regulations and standards. With more than 400,000 users within the automobile sector the IMDS became a global standard for material reporting (DXC 2017a; DXC, 2017b).

4.4.2 Background

Due to the population growth, the world today faces a problem in the overconsumption of natural resources (Schönmayr, 2017). The first sustainability issues came to light in 1972 when *The Club of Rome* published its report ‘The Limits of Growth’ (Mayer, 2017). In the same year, one of the first steps “toward a sustainable society providing good living conditions for all while respecting ecological limits” (Baumgartner, 2017, p. xii) was the UN Conference on the Human Environment, also known as the *Stockholm Conference*. Another important milestone is the UN Conference on Environment and Development, which took place in Rio de Janeiro in 1992 (Mayer, 2017). As a result, the *Declaration on Environment and Development* provides a basis for many other conventions and agreements such as the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change (UNFCCC) (Mayer, 2017).

The objective of the UNFCCC is “to achieve … stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system” (UN, 1992, p.5). In 1997, the Conference of the Parties to the UNFCCC was held in Kyoto, Japan. To reduce greenhouse gas emissions, 150 nations adopted the *Kyoto Protocol* which entered into force in 2005. Consequently, the protocol was ratified by 192 nations until 2013 (UN, 1998). The international *Paris Agreement* was adopted in 2015 by 195 countries at the Paris climate conference (COP21) (Mayer, 2017). Its central aim is to limit global warming to 2 degrees Celsius above pre-industrial levels (Secretariat of the UNFCCC, 2018). As indicated in Figure 7, climate change is not the only environmental issue currently faced by human

beings, yet it is still considered to be the most difficult global challenge (Ipsos Public Affairs, 2018b)[10].

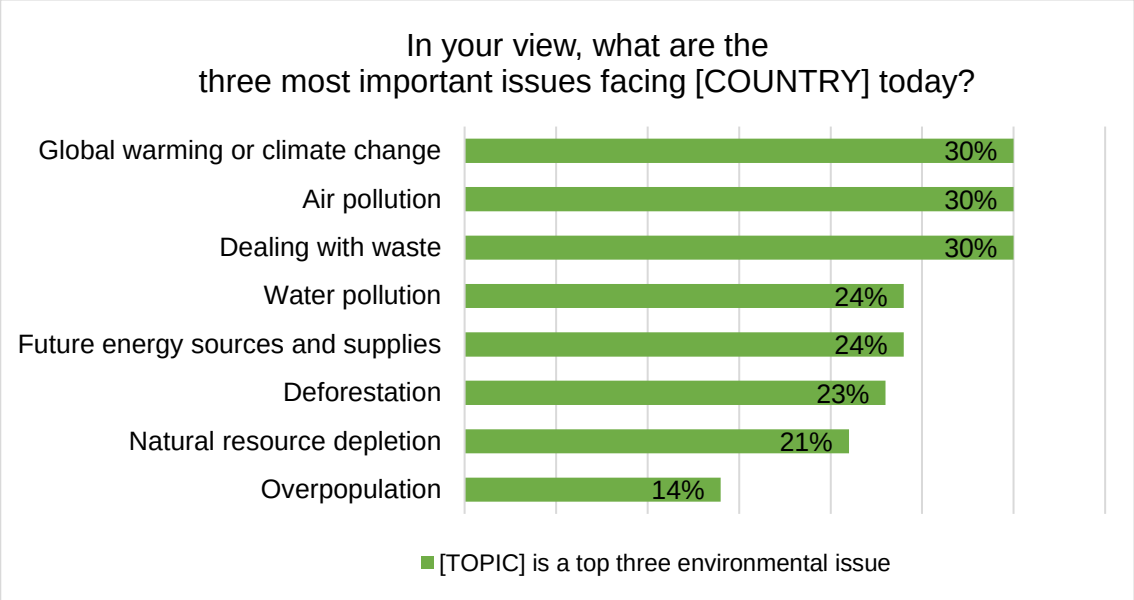

Figure 7: The most important environmental issues 2018 (Ipsos, 2018b, p. 3)

"The ten warmest years on record have all occurred since 1998, with the four warmest years occurring since 2014" (Sánchez-Lugo, Morice, Berrisford & Argüez, 2018, p. S12). A research on 11,944 papers shows that almost all of them (97.1 percent) lead to the conclusion that humans are causing global warming (Cook et al., 2013). Therefore, it is important that every member of the supply chain is sensitized towards the reduction of greenhouse gas emissions. In general, everybody needs access to information on how to do business in accordance with the environment. Especially, aspects such as recycling systems, pollution prevention, material restrictions and resource efficiency deserve consideration (econsense, 2013).

4.4.3 Recommendations for action

"To protect human health and the environment from unacceptable risks posed by chemicals" (European Chemicals Agency (ECHA), 2017, para. 1), the use of chemical substances, which are listed in the regulations REACH and RoHS, is restricted. Companies are not just facing these two regulations. That is why every supplier's first step should be researching environmental laws, regulations and standards affecting their business operations. These can be used as a *starting point* to identify their impacts on the environment and to map out a strategy to increase the environmental performance. The websites of the OEMs and their information tools, such as the supplier portals and the IMDS, are helpful in this process (Daimler AG, 2018). A commitment

[10] Base: 20,794 people across 28 countries (Ipsos Public Affairs, 2018b).

to care for the environment should be included in the supplier's code of conduct. Another possibility is to develop and implement an environmental policy (UNGC, 2018g), and ultimately a (certified) environmental management system.

> *As a commercial enterprise, we bear responsibility for the environmental compatibility and sustainability of our products, locations and services. We focus on environmentally friendly, advanced and efficient technologies, which we implement throughout the entire lifecycle of our products. Starting with the early phases of development and production, we make sure we manage natural resources carefully and steadily reduce the environmental impact to comply with environment protection laws and regulations. (Scania, 2017, p. 18)*

To ensure the consistent application of the strategy, a company guideline should be developed. Furthermore, one person or group has to assume the responsibility to oversee environmental precautions (UNGC, 2018h). A steady process to prevent risks in sensitive fields is needed. The key factor to do so is transparent communication with all stakeholders in both directions. On the one hand, there is a need to raise environmental awareness throughout the company and to inform external partners about management's commitment (UNGC, 2018h). In this context, one suggestion is to organize mandatory employee trainings on environmental protection (UNGC, 2012), as well as respective company policies and regulations. On the other hand, all stakeholders must be given the chance to address environmental violations through a grievance mechanism, for example, multi-stakeholder dialogues (UNGC, 2018h).

The primary objective of an EMS is the continuous enhancement of the company's environmental performance (Förtsch & Meinholz, 2018). The ISO 14001 is a globally accepted and applied standard with around 363,000 certified companies (Umweltbundesamt, 2018). It is based on the following repetitive processing steps (see Figure 8).

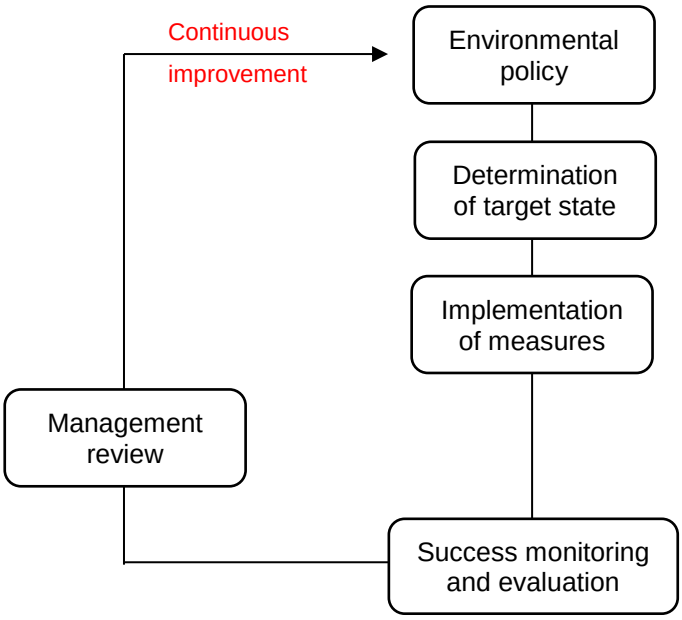

Figure 8: EMS according to ISO 14001 (Own representation based on Förtsch & Meinholz, 2018)

As described above, the first step is the definition of a strategy by management, in consideration of the actual state, to pursue the environmental policy of the company (Förtsch & Meinholz, 2018). In order to reach the defined goals, it might be necessary to change the production process or the input materials (UNGC, 2018i). A first contribution to a better environmental performance could be the introduction of a waste separation system at all sites. Other measures could refer to the reduction of waste and polluting products, the recycling of material residues or the management of natural resources (Peiró-Signes et al., 2014).

A complementing element is an energy management system in accordance to ISO 50001. It serves to determine the potentials to improve the energy efficiency and to find out the cost optimization potentials (Reimann, 2017). As a result, measures for energy savings and the decrease of energy costs are defined. Such a measurement could be the replacement of all lights by energy-saving lamps. The similar structure of the two ISO standards facilitates their joint implementation (Förtsch & Meinholz, 2018).

4.4.4 Benefits

The implementation of an EMS eases the handling of environmental issues. “Organizations using ISO 14001 have found success across a range of areas, including reduced energy and water consumption, a more systematic approach to legal compliance and an improved overall environmental performance” (ISO, 2015, p. 8). All this leads to lower overall costs. Although the prevention of environmental damage causes additional costs, it is better to take early actions, so that incidents which could become cases of liability lastingly decrease (UNGC, 2018h;

Förtsch & Meinholz, 2018). Often the expenditures for environmental remediation are much higher and such incidents contribute to a loss of reputation (UNGC, 2018h). Conversely, this means that a good environmental performance enhances the company image as the confidence of stakeholders, including better relations to public authorities (Förtsch & Meinholz, 2018; ISO, 2015). “Implementing environmentally friendly technologies helps a company reduce the use of raw materials leading to increased efficiency” (UNGC, 2018i). Essentially, the reductions of costs and the improved efficiency bring a competitive and financial advantage for the supplier (ISO, 2015).

4.5 Supplier management (Questions 19-20)

Questions refer to	**Internal Documents**	**External documents (e.g. management systems, certifications and others)**
- Automotive Industry Guiding Principles	✓ Supplier Code of Conduct ✓ Supplier Sustainability Policy ✓ Company Conduct	✓ ISO 26000 Guidance Social Responsibility ✓ ISO 20400 Sustainable Procurement Guidance

Table 6: Questions on the supplier management (Own representation)

4.5.1 Focus

Questions 19 and 20 from the SAQ concentrate on the supplier management, which is one of the major challenges along the supply chain. Referring to all previous subjects of the SAQ, the suppliers are asked whether they have set CSR/sustainability requirements towards their own direct and/or indirect suppliers. Furthermore, suppliers are asked which channels they use to communicate their requirements and whether they have verification mechanisms on adherence with their code of conduct for suppliers in place.

4.5.2 Background

Berzau (2017) states that the “responsibility for upholding labour, social and environmental standards is not limited to businesses, their employees and their immediate environment; it also extends to business partners and the supply chain” (p.3). Especially, due to the globalization and the increasing value-added share of the suppliers in the automobile industry, the business relations between the OEM and its suppliers continue to gain importance (Fries, 2015). The OEMs know their direct first-tier suppliers very well, whereas the sub-suppliers in most cases are generally rather unknown. This causes a lack of transparency along the supply chain. It is expected that first-tier (direct OEM) suppliers communicate the requirements of the OEM to their

employees and to lower-tier suppliers (Automotive Industry Action Group & CSR Europe, 2017a).

> *The automotive industry supply chain has a high degree of complexity, therefore we believe in the benefits of a common approach and message. The following guidelines clearly describe our minimum expectations towards business ethics, working conditions, human rights, and environmental leadership; for our suppliers as well as their subcontractors and suppliers. We expect that suppliers will uphold these standards and cascade them down their supply chain. (Automotive Industry Action Group & CSR Europe, 2017a)*

Supplier management refers to all previously mentioned conventions, regulations, standards and others (see Tables 3-5). It is the systematic shaping and controlling of a company's supplier relations with the aim to seize economic opportunities and to avoid economic risks (Bundesverband Materialwirtschaft, Einkauf und Logistik e. V, 2012). Therefore, the supplier which is contacted by an OEM as part of the OEMs activities on sustainably supply chain management is asked to become active itself, to pass on such (or similar) activities to its suppliers.

4.5.3 Recommendations for action

The first suggestion is to introduce a supplier sustainability policy or a supplier code of conduct (van Weele & van Tuberger, 2017). This should be a part of the company's risk management process, based on risk analysis and taking all supplier relations into account (Schröder, 2015). The supplier code of conduct obliges the sub-suppliers to respect and to implement the defined CSR/sustainability principles and certain resulting measures (Schröder, 2015). It is strongly recommended to integrate the document in business processes (e.g. the contract) (Berzau, 2017). The defined requirements must be concrete, concise and quantifiable. It is better to formulate clear prohibitions instead of desired changes (Schröder, 2015).

> *These standards represent requirements for all Daimler AG suppliers regarding human rights, labour [sic] standards, business ethics, environmental protection and safety. They have worldwide application and are directed at both product suppliers and service providers. (Daimler AG, n.d.)*

One valuable approach is to refer to existing code of conducts established by associations and/or sector initiatives. Those are based on several conventions and international standards and are often free to use by other companies. In addition, national regulations must be observed (Berzau, 2017). Sector initiatives[11] such as Drive Sustainability are "complete systems and open

[11] An overview of sector-specific and general sustainability initiatives can be found in the annex A of the ISO 26000 (BMUB & UBA, 2017).

the way of communication with other companies" (Berzau, 2017, p. 14) which is why in particular small and medium-sized companies benefit from a participation.

Besides adding the supplier CSR/sustainability requirements to the contract components (e.g. to the terms and conditions or the contractual annex), it is advisable to use further channels to communicate them to suppliers and subcontractors. One opportunity is to upload the information to the first-tier supplier's website, whereby future business partners can get an impression of what to expect. Another option would be to inform existing suppliers about the company's expectations and to encourage open and constructive dialogues in the organization of round tables which allows room for questions (Berzau, 2017). A presentation or a handout/brochure could be created in preparation for these meetings. This supplier handbook could be passed on as well.

As described above, it is not enough to respect the CSR/sustainability principles. They have to be implemented in one's own company, which should be ensured by the first-tier supplier (Berzau, 2017). In this context, a distinction is made between self-assessment and local audits (Schröder, 2015). According to Berzau (2017, p. 17) an audit is "a methodical study or inspection of a system or situation for the purpose of gathering evidence". The self-assessment provides a first picture of the supplier's performance and gives them the chance to evaluate their own situation (Berzau, 2017). For this, the Drive Sustainability SAQ can be used. Local audits can either be conducted by members of the purchasing company or by an independent third party. It is recommended that small and medium-sized companies carry out internal audits when their representatives are visiting the supplier's site (Berzau, 2017). Some initiatives include shared audits in their activities, meaning that audit results are available to all participants (Müller & Bessas, 2017). Usually, the procedures are very similar (see BMUB & UBA, 2017):

1. Conversation between the auditor or auditing team and the supplier's management
2. Interviews with selected employees
3. Plant inspection
4. Examination of documents provided by the supplier
5. Evaluation meeting

Depending on the results of the self-assessment and the audit results it might be necessary to draw up corrective action plans with the suppliers that show potential for CSR/sustainability improvement (BMUB & UBA, 2017). This should include a deadline for implementing the measures, perhaps in conjunction with a re-audit (Berzau, 2017). Only when suppliers understand the requirements set towards them, they are able to adhere to the principles (BMUB & UBA, 2017). Therefore, the first-tier suppliers should offer capacity building on sustainability

topics. These trainings can be provided to individual suppliers or several suppliers at once (Berzau, 2017). An affordable alternative is to set up internet-based training such as a webinar (BMUB & UBA, 2017). All courses must be conducted by qualified experts. Sector initiatives often carry out joint training measures which is another reason to consider a participation (Berzau, 2017). If an improvement is not visible over time, the termination of a contract should be taken into consideration (Baab, 2016).

4.5.4 Benefits

The non-compliance with the supplier code of conduct is often linked to contractual arrangements, for example, an extraordinary termination right and the liability for damages (Schröder, 2015). The first-tier supplier is the direct partner of the OEM and thus, the first contact if CSR/sustainability impacts occur along the supply chain. By requesting a signed supplier code of conduct from their own suppliers and subcontractors, the first-tier supplier can meet the expectations from the respective OEM.

As aforementioned, the self-assessment gives an overview of the supplier's sustainability performance. It is quickly implemented and facilitates the decision whether to conduct a local audit or not (BMUB & UBA, 2017). Combining site visits with internal audits saves time, expenses and labour resources, especially for small and medium-sized companies. If site visits are impossible to conduct or the necessary knowledge is missing, an external audit is an alternative (BMUB & UBA, 2017).

The participation in a sector initiative or a cross-industry program brings several benefits (Berzau, 2017). The joint efforts of business via sector initiatives open up new perspectives and make knowledge-sharing possible. Working with other companies can generate synergies that are unavailable to single companies (Berzau, 2017). The sharing of audit reports and training concepts, leads to a reduction in costs for all participants. The key prerequisite is that the chosen initiative is open for new businesses to join. Currently, no industry initiative has yet succeeded in cascading the entire supply chain (Müller & Bessas, 2017).

4.6 Responsible sourcing of raw materials (Questions 21-22)

Questions refer to	Internal Documents	External documents (e.g. management systems, certifications and others)
- US Dodd-Frank Act 1502 - UN Guiding Principles on Business and Human Rights - EU Conflict Minerals Regulation 2017/821 - Chinese Due Diligence Guidelines for Mineral Supply Chains - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas - Automotive Industry Guiding Principles	✓ Supplier code of conduct ✓ Raw materials responsible sourcing policy ✓ Supplier Sustainability Policy ✓ Supply Chain Policy	✓ Conflict Free Smelter Programme (CFSP) Standard ✓ OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones

Table 7: Questions on the responsible sourcing of raw materials (Own representation)

4.6.1 Focus

Tin, tantalum, tungsten and gold (3TG) are considered conflict minerals (EU, 2017). All four are used in many vehicle components, such as in the circuitry, the brakes and the engine (The Dragonfly Initiative, 2018). These minerals to a significant amount originate from high-risk countries where mining and the trading are often linked to human rights violations, environmental pollution or violent conflicts (Shah, 2015). Hence, questions 21 and 22 from the SAQ focus on the responsible sourcing of raw materials. This topic combines all subjects described thus far. The aim is to avoid social, environmental and ethical problems that arise out of sourcing activities along the supply chain. This cannot be achieved without seeking support from the company's supplier base (Van Weele & Van Tubergen, 2017).

4.6.2 Background

In the late 1990s, it became evident, that connections between conflicts, the financing of these conflicts, the exploitation of minerals and human rights violations was occurring, such as the so-called blood diamonds in Angola (Di, Lorenzo, 2018).

The general process is, that after the exploitation, the minerals are sold on national and international markets and are transported to smelters and refiners (Osburg, 2015). The metals produced there are then ultimately processed in vehicle components along the downstream (from the smelters/refiners to the retailers) supply chain (Shah, 2015). At this stage, it is often hard or even impossible to identify the origin of these minerals. “Companies run into the risk of directly or indirectly supporting armed groups, which illegally take control over mines and their trading routes and use the proceeds to finance their activities” (Di Lorenzo, 2018, p.137). There is a risk that companies are unwillingly getting involved in cases of corruption, fraud or the violation of human rights (Di Lorenzo, 2018). Therefore, the US government enacted the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act) in 2010, including the section 1502 on Conflict Minerals (US Securities and Exchange Commission (SEC), 2010). The Dodd-Frank Act focuses on minerals financing conflicts in the DRC (Democratic Republic of the Congo) and its neighboring countries (SEC, 2010). US-listed companies are required to disclose annually, whether they have in use such minerals (SEC, 2010). If so, they have to prepare a report including, but not limited to, the products that contain conflict minerals and “a description of the measures taken by the ... [company] to exercise due diligence on the source and chain of custody of such minerals” (SEC, 2010, p. 839).

In 2017, the European Union adopted the *EU Conflict Minerals Regulation*, which will come into force in 2021 (EU, 2017). In contrast to the US-American reporting obligation at the end of the supply chain (Osburg, 2015), this regulation directly applies to the EU’s importers (European Parliament & Council of the European Union, 2017). Furthermore, it indirectly applies to the smelters and the refiners involved in the mineral supply chain of conflict-affected or high-risk countries. The regulation requires that importers must ensure that imported minerals are coming from responsible sources (European Parliament & Council of the European Union, 2017). It also refers to the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas,* adopted in 2010, (OECD, 2016). It provides a framework for companies trying to avoid the contribution to human rights violations and armed conflicts through their sourcing activities (OECD, 2016). The five-step framework presents a risk-based approach for due diligence in the mineral supply chain. “This Guidance applies to all companies … that supply or use minerals sourced from conflict-affected or high-risk areas” (OECD, 2016, p. 15), not limited to one geographical region.

4.6.3 Recommendations for action

The *OECD Due Diligence Guidance* provides differentiated information depending on the concerned mineral and the stage of the supply chain the company is operating at. The distinction is made between upstream companies (from the mine to the smelters/refiners) and downstream

companies in the supply chain. The OECD guidance contains different due diligence requirements and processes for the supply chain of tin, tantalum and tungsten as well as for the supply chain of gold (OECD, 2016). If this differentiation is left out, it is suggested for companies to follow the general five steps described below (See Figure 9).

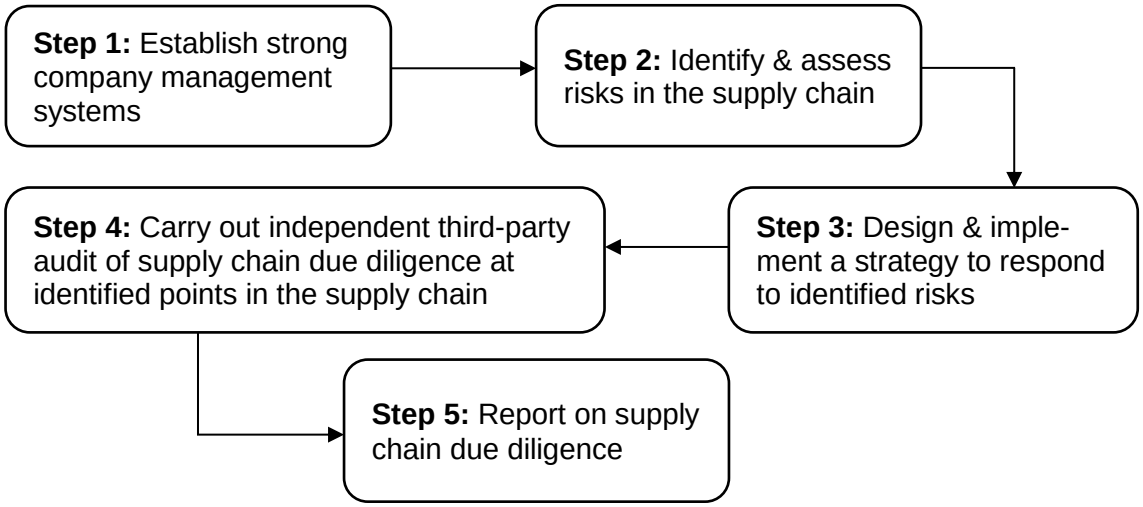

Figure 9: 5-Step Framework for Due Diligence in the Mineral Supply Chain (Own representation based on OECD, 2016)

Supply chain due diligence requires companies to systematically check whether human rights violations, impacts on the environment or other issues exist along the own supply chain (Shah, 2015). The first step of this ongoing process is to adopt a policy on the responsible sourcing of raw materials, including a commitment to carry out due diligence (OECD, 2016). This policy can be supported by a supplier code of conduct and should be clearly communicated to the suppliers[12] and the public (OECD, 2016).

> *Suppliers shall exercise due diligence consistent with the relevant parts of the OECD Due Diligence Guidance or equivalent processes along their mineral supply chains. This includes the implementation of policies and measures in order to identify risks and take appropriate action to ensure that the minerals used do not directly or indirectly through the extraction, transport, trade, handling or export of those minerals finance or benefit armed conflict. (Scania, 2018, p. 6)*

Initially, the supplier should identify materials used which contain minerals from conflict regions. Only upon an identification of relevant materials/parts, a tracing can be initiated. Here, not only 3TG should be considered (Osburg, 2015). The mining of other raw materials such as cobalt or mica, can also be linked to negative impacts (see Amnesty International, 2016; Kate, Schipper,

[12] From the OEM's point of view, these are sub-suppliers.

Kiezebrink & Remmers, 2016). An effective risk assessment is indispensable to promote a supply chain free from conflict minerals (Di Lorenzo, 2018). A system of controls and transparency is easier to establish by participating in initiatives (OECD,2016), such as the *Responsible Business Alliance* or the *Public-Private Alliance for Responsible Mineral Trade*. Furthermore, a management strategy is needed to address the identified risks and to define measures of risk mitigation and risk prevention (OECD, 2016). One of these measures could be to refrain from suppliers associated with any smelters or refiners that contribute to serious social or environmental impacts (OECD, n.d.). The OECD (2016) recommends that "companies at identified points … in the supply chain should have their due diligence practices audited by independent third parties" (p. 19). Thus, the first-tier supplier should consider to exclusively work together with suppliers that source from audited smelters and refiners (OECD, n.d.). Another possibility is to initiate a collaborative approach along the supply chain with the aim to directly mark and seal the minerals at the mine site (Osburg, 2015). Again, it is suggested to join an industry program.
Either way, it is necessary to publicly report on supply chain due diligence (OECD, 2016). This can be realized by adding a corresponding section to the annual report on CSR/sustainability. Due diligence is a continuous process that creates transparency along the supply chain over the course of time (Shah, 2015).

4.6.4 Benefits

The benefits of respecting human rights and ethical principles as well as the advantages of protecting the environment have already been pointed out. To add to the abovementioned points a "diligent selection of resources … [also] increases product quality" (BMUB & UBA, 2017, p. 7).

4.7 Overview of requested documents

	Questions refer to	Internal documents	External documents (e.g. management systems, certifications and others)
Company management Questions 1-6	- General sustainability management and reporting of suppliers - Global Reporting Initiative (GRI) Standards; - Sustainability Accounting Standards Board - (SASB); - Climate Disclosure Standards Board (CDPCDSB); - United Nations Global Compact - - Communication on Progress (UNGC-COP	✓ Sustainability/CSR report ✓ Code of Conduct ✓ Training evidence	n/a
Working conditions and human rights Questions 7-10	- Universal Declaration of Human Rights - UN Guiding Principles on Business and Human Rights - Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain - ILO Declaration on Fundamental Principles and Rights at Work - OECD Guidelines for Multinational Enterprises (chapter IV) - UK Modern Slavery Act - UNGC Principles 1-6 - Sustainable Development Goals (SDG)	✓ Code of Conduct ✓ Working conditions and human rights policy ✓ Health and safety policy ✓ Employee manual	✓ ISO 26000 Guidance Social Responsibility ✓ Occupational Health and Safety Assessment Series (OHSAS) 18001 superseded by ISO 45001 ✓ SA8000 Social Management System ✓ Human Rights Compliance Assessment

Business ethics Questions 11-12	- The United Nations Convention Against Corruption - Universal Declaration of Human Rights - EU Directive on Non-Financial and Diversity Information Disclosure 2014/95 - US Foreign Corrupt Practices Act - U.K. Bribery Act - EU General Data Protection Regulation (GDPR) 2016/679 - OECD Guidelines for Multinational Enterprises (chapter VI) - Automotive Industry Guiding Principles - UNGC Principle 10 - SDGs	✓ Business conduct and compliance policy ✓ Anti-corruption policy ✓ Code of conduct	✓ ISO 37001 Anti-Bribery Management System (formerly BS 10500) ✓ ISO 26000 Guidance Social Responsibility ✓ ISO 19600 Compliance Management System ✓ Institute of Electrical and Electronics Engineers (IEEE) Principles of business conduct compliance certificate
Environment Questions 13-18	- The Rio Declaration on Environment and Development (Agenda 21) - Kyoto protocol and Paris Agreement - Automotive Industry Guiding Principles - REACH (Registration, Evaluation, Authorisation, and Restriction of Chemicals) and RoHS (Restriction of Hazardous Substances) - OECD Guidelines for Multinational Enterprises (chapter V) - UNGC Principles 7-9 - SDGs	✓ Code of Conduct ✓ Environmental policy	✓ ISO 14001:2015 Environmental Management System ✓ PAS2060 Carbon neutrality ✓ PAS2050 Carbon footprint ✓ EU Eco-Management and Audit Scheme (EMAS) ✓ ISO 5001 Energy Management

Supplier management Questions 19-20	- Automotive Industry Guiding Principles	✓ Supplier Code of Conduct ✓ Supplier Sustainability Policy ✓ Company Conduct	✓ ISO 26000 Guidance Social Responsibility ✓ ISO 20400 Sustainable Procurement Guidance
Responsible sourcing of raw materials Questions 21-22	- US Dodd-Frank Act 1502 - UN Guiding Principles on Business and Human Rights - EU Conflict Minerals Regulation 2017/821 - Chinese Due Diligence Guidelines for Mineral Supply Chains - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas - Automotive Industry Guiding Principles	✓ Supplier code of conduct ✓ Raw materials responsible sourcing policy ✓ Supplier Sustainability Policy ✓ Supply Chain Policy	✓ Conflict Free Smelter Programme (CFSP) Standard ✓ OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones

Table 8: Overview of requested document (Own representation)

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