SUPPLY CHAIN SUSTAINABILITY

Training for automotive suppliers
TRAINING CONTEXT

Who is who

BMW Group, Daimler AG, Honda, Jaguar Land Rover, Scania CV AB, Toyota Motor Europe, Volkswagen Group, Ford, Volvo Cars and Volvo Group joined forces to launch ‘Drive Sustainability - The Automotive Partnership’. The Original Equipment Manufacturers (OEMs) are defining the Guiding Principles and the content of the supplier sustainability training.

CSR Europe is a platform for businesses looking to enhance sustainable growth and positively contribute to society with 44 corporate and 41 national CSR members.

CSR Europe is coordinating and facilitating the Drive Sustainability initiative, the content and the logistics of the supplier sustainability trainings.

Deloitte is a network of firms employing 245,000 people in 150 countries providing audit, tax, legal, financial advisory, risk advisory, and consulting services.

Deloitte teamed up with CSR Europe to facilitate the supplier sustainability trainings in several countries.
ANTI-TRUST

Regarding your company’s and/or your competitors’ product and services, it is forbidden:

- To discuss current or future prices or supply conditions.
- To discuss any increase or decrease in price or change of supply conditions.
- To discuss pricing procedures.
- To discuss standardizing or stabilizing prices or supply conditions.
- To discuss current or future demand.
- To ask competitors why a previous bid was so low, or to describe the basis for a previous bid.
- To discuss profit levels.
- To discuss controlling sales or allocating markets for any product.
- To discuss future design or marketing strategies.
- To discuss credit terms.
- To discuss banning or otherwise restricting legitimate advertising by competitors.
- To discuss allocating customers.
- To discuss volumes.
- To discuss any other subject likely to restrict competition.

Regarding your company’s and/or your competitors’ selection of their supplier companies, it is in particular forbidden:

- To disclose or discuss the identity of suppliers if this identity is a competitively sensitive information.
- To discuss any boycotting of a company because of its pricing or distribution practices.
- To discuss strategies or plans to award business or remove business from a specific company.
- To discuss prices, margins, payment terms, volumes, markets, customers or marketing strategies of suppliers with competitors.

Regarding your company’s and/or competitors’ trade secrets, it is forbidden:

- To discuss trade secrets or confidential information of your company or any other member
CHATHAM HOUSE RULES

Please also keep in mind

• Participants attending the training may discuss the details of the discussion in the outside world, but may not discuss who attended or identify what a specific individual said

• Provides anonymity to speakers and encourages sharing of information;

• Used throughout the world;

• Allows people to speak as individuals, and to express views that may not be those of their organizations;

• Encourages free discussion
# AGENDA

## Working & leaning together

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:00 – 10:00</td>
<td>General Introduction</td>
</tr>
<tr>
<td></td>
<td>• What is Sustainability?</td>
</tr>
<tr>
<td></td>
<td>• Drive Sustainability</td>
</tr>
<tr>
<td></td>
<td>• The local context vs global context</td>
</tr>
<tr>
<td>10:00 – 10:15</td>
<td>Coffee break</td>
</tr>
<tr>
<td></td>
<td>Participants form 2 groups</td>
</tr>
<tr>
<td></td>
<td>Group A: Environment and Health &amp; Safety</td>
</tr>
<tr>
<td></td>
<td>Group B: Business Ethics &amp; Social Sustainability</td>
</tr>
<tr>
<td>10:15 – 10:45</td>
<td>Introduction Break-out session</td>
</tr>
<tr>
<td>10:45 – 12:15</td>
<td>Improvement plan exercise: Identifying key local challenges</td>
</tr>
<tr>
<td>12:15 – 12:45</td>
<td>Improvement plan exercise: Root causes and actions</td>
</tr>
<tr>
<td>12:45 – 13:30</td>
<td>Lunch</td>
</tr>
<tr>
<td>13:30 – 15:15</td>
<td>Improvement plan exercise: Root causes and actions (cont.)</td>
</tr>
<tr>
<td>15:15 – 15:30</td>
<td>Coffee break</td>
</tr>
<tr>
<td>15:30 – 16:30</td>
<td>Improvement plan exercise: Budget, responsibilities and timeline</td>
</tr>
<tr>
<td>Participants regroup</td>
<td></td>
</tr>
<tr>
<td>16:40 – 17:00</td>
<td>Closing</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th><strong>Is about</strong></th>
<th><strong>Is NOT about</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Drive Sustainability &amp; the automotive industry</td>
<td>• Individual OEMs</td>
</tr>
<tr>
<td>• Common group expectations / position</td>
<td>• Individual OEM/ buyer expectations</td>
</tr>
<tr>
<td>• Common tools &amp; activities</td>
<td>• Individual OEM actions</td>
</tr>
<tr>
<td>• SAQ,</td>
<td>• Potential future common actions</td>
</tr>
<tr>
<td>• Trainings,</td>
<td></td>
</tr>
<tr>
<td>• Local networks</td>
<td></td>
</tr>
</tbody>
</table>

**Finding solutions**

• Getting new ideas for improvements  
• Learn from your peers  
• **Working for your company improvement plan**

**Ticking a box**

• Passing an audit  
• Getting a diploma
WHAT IS SUSTAINABILITY?

And why does it matter?
POLLING EXERCISE

Why does sustainability matter?

Go to www.menti.com and use the code 94 75 88

1. Grab your phone
2. Go to www.menti.com
3. Enter the code 94 75 88 and vote!
Beauty and a Beast
Child Labour in India for Sparkling Cars and Cosmetics

Slavery at Sea
The Continued Plight of Trafficked Migrants in Thailand’s Fishing Industry

The Dark Side of Chocolate
A Film by Niro Mistry & El Roberto Romano

Safe Workplace
Sound Business

Corporate Learning Pulse
Unique survey of 600 businesses across Europe reveals attitudinal shift on investment in people and culture

Financial Times
The 2017 Responsible Business Awards winners
Companies recognised for fundamentally rethinking social and environmental impact
THE BUSINESS CHALLENGE

...meeting the expectations of sustainable sourcing

PROFITABILITY & COMPETITIVE ADVANTAGE
INCREASED EXPECTATIONS AND MONITORING

- Commit to full due diligence of supply chain
- Enhance transparency of entire supply chain
- Environmental impact & circular models
- Respect for human rights
- Ensure decent working conditions
- Implement safeguards for privacy and other rights
THE RISKS

The consequences of ignoring expectations

Failure to meet ...

- Buyer expectations
- Government expectations
- Public expectations
- Quality standards

... may cause

- Reputational damage
- Loss of Business

Ignorance of CSR risks
THE OPPORTUNITIES

Supply chain sustainability is about opportunity!

**Flextronics Case Study:** Zhuhai plant, China

- Upgrade working and health facilities/policies + set up **closed-loop process** for preventing health & safety risk
- **Training programs** to internalize principles of empowerment, dignity and respect
- Automate **overtime tracking** system to prevent excessive working hours
- Partner with community resources to provide employee assistance programs and other support services
- Form a **management council** to regularly monitor and evaluate CSR performance
Supply chain sustainability is about opportunity!

*Flextronics Case Study: Zhuhai plant, China*

- Flextronics awarded by BT
- Increased employee satisfaction
- Zero accident rate: Decreased below industry average of 2.0
- Lower attrition rate:
  - high % of employees returning after Chinese New Year
TURNING RISK INTO OPPORTUNITIES

Mentality shift

Compliance Risk

- Passing the audit
- Checking the boxes

Beyond compliance

- Understanding root causes
- Seeking impact

Innovation Opportunity

- Partnership
- Competitive advantage

TURNING RISK INTO OPPORTUNITIES
<table>
<thead>
<tr>
<th>The Business Case</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk</strong></td>
</tr>
<tr>
<td>• Prevent supply chain interruption</td>
</tr>
<tr>
<td>• Increase traceability and quality</td>
</tr>
<tr>
<td>• Enhance long-term reputation</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
</tr>
<tr>
<td>• Supplier-OEM cooperation</td>
</tr>
<tr>
<td>• Solutions to new customer demands</td>
</tr>
<tr>
<td>• Access new markets</td>
</tr>
</tbody>
</table>
ABOUT DRIVE SUSTAINABILITY

Enhancing sustainability in the automotive industry
WHO WE ARE

[Logos of various automotive companies]
THE AUTOMOTIVE PARTNERSHIP

Partnership owned by the automotive companies, facilitated by CSR Europe

Send a common message to the supply chains

Share experiences and information

Share a common approach

Develop and apply common tools and common projects

Strict compliance with competition laws
The Automotive Partnership

Add Video
DRIVE SUSTAINABILITY APPROACH

1. Direction

- Common Strategy
  - Vision 2030
  - 2030 Goals and Road Map

- Common Guidance
  - Guiding Principles
  - Practical Guidance

- OEM Individual Integration
  - Long-term strategy
  - Supplier Code of Conduct

2. Compliance

- Initial Risk Mapping
  - Common Risk Assessment*

- Common Screening
  - Self-Assessment Questionnaire for suppliers (SAQ)

- Result Integration
  - Common Requirements
    - business impact
    - involvement of buyers
    - visibility at top management level

  - e.g. Common audit standard*

3. Impact

- Common Capacity Building
  - Supplier trainings (at various tiers*)
    (eLearning*, one-day training, knowledge assessment*)
  - Supplier Dialogue Events
  - Local networks

- Common Leverage
  - Stakeholder and cross-sectorial exchange
  - Policy exchange and institutional influence*
  - Knowledge creation (e.g. studies)
  - Company institutional engagement and influence

---

* = Future common activities / under development

= Alignment with [OECD Due Diligence Guidance For Responsible Business Conduct](https://www.oecd.org) Step 1 to 6

= currently OEM Individual Activities
THE GUIDING PRINCIPLES

A set of common baseline guidelines related to:

<table>
<thead>
<tr>
<th>Human Rights</th>
<th>Environmental standards</th>
<th>Business Ethics</th>
</tr>
</thead>
</table>

- Describe OEMs **common expectations** towards suppliers/sub-suppliers
  - Complemented by OEMs individual set of codes and policies
## The Guiding Principles

### What do the Guiding Principles cover?

<table>
<thead>
<tr>
<th>Human rights and working conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Labour</td>
</tr>
<tr>
<td>Wages and Benefits</td>
</tr>
<tr>
<td>Working Hours</td>
</tr>
<tr>
<td>Forced Labour</td>
</tr>
<tr>
<td>Freedom of Association</td>
</tr>
<tr>
<td>Health &amp; Safety</td>
</tr>
<tr>
<td>Harassment</td>
</tr>
<tr>
<td>Non-Discrimination</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air/Water Quality</td>
</tr>
<tr>
<td>Emissions</td>
</tr>
<tr>
<td>Natural Resources Management</td>
</tr>
<tr>
<td>Waste Reduction</td>
</tr>
<tr>
<td>Responsible Chemical Management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible sourcing</td>
</tr>
<tr>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Privacy</td>
</tr>
<tr>
<td>Financial responsibility/transparency</td>
</tr>
<tr>
<td>Fair Competition</td>
</tr>
<tr>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Economic Sanctions</td>
</tr>
</tbody>
</table>
THE GUIDING PRINCIPLES

“We endeavor to achieve excellence, innovation and performance in a sustainable manner. (…)

For this reason, we are working together to attain the highest standard in (1) business integrity and in the (2) social and (3) environmental performance of our supply chain”.

Success depends on the commitment of our entire global supply chain.
THE PRACTICAL GUIDANCE

- Complements Guiding Principles
- Practical explanations and examples
- How to comply

**BUT** does not represent the only way
THE PRACTICAL GUIDANCE

**Anti-Corruption:**

- Companies are expected to comply with the anti-corruption laws, for example US Foreign Corrupt Practices Act and the U.K. Bribery Act etc. that apply to its operations and those of the countries in which they do business.

- Companies are expected to have a zero-tolerance policy for all forms of bribery, corruption, extortion and embezzlement.

- Companies are expected to prohibit promising, offering, authorizing / authorising, giving, or accepting something of value, either directly or indirectly through a third party, in order to obtain or retain business, direct business to any person, or otherwise gain an improper advantage.

**Compliance with laws**

**Obligation to comply with highest standards**

**Guiding Principles demand a preventive approach**
# GLOBAL ALIGNMENT

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Alignment of Guiding Principles with Automotive Industry Action Group (AIAG)</td>
<td>• German automotive association adopts GPs • Set up local network in Turkey</td>
<td>• Start setting-up a local group in China</td>
<td>• Launch of DS local group in China • Common revision of GPs with AIAG</td>
</tr>
</tbody>
</table>
GLOBAL VS LOCAL

Sustainability in Malaysia
THE GLOBAL CONTEXT

Sustainability trends in the global automotive industry

Drivers

• Air Quality Concerns
• Digitization and the Sharing Economy
• Complex Supply Chains (transparency and visibility of supply chains)
• Climate Change
• Health and Safety of Passengers and Workers
• Ethical and Responsible Sourcing

Trends

• Engine Designs with Better Fuel Efficiency
• Autonomous, Electrified Vehicles
• The OECD Guidance for Responsible Supply Chains of Minerals sets upstream targets, while the EU Conflict Minerals Guidelines highlights compliance for supply chain
• Open and Visible IT Infrastructure for Increased Value Chain Transparency

Impacts

• Minimize unnecessary waste and less emission.
• Less emission of exhaust fumes and noise, as well as affordable and accessible to users
• Increased transparency and visibility leading to better control over supply chain operations
• Reduced supply chain sustainability risk
THE GLOBAL CONTEXT

2030 TRENDS

<table>
<thead>
<tr>
<th>Stringent regulation on CO2 emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification and innovations in mobility</td>
</tr>
<tr>
<td>Pressure on raw materials</td>
</tr>
<tr>
<td>Rising concern about CR/S issues from government, civil society, customers</td>
</tr>
<tr>
<td>Rising risk and complexity in supply chains</td>
</tr>
<tr>
<td>Mounting demand for CR/S data</td>
</tr>
<tr>
<td>Growing impact of CR/S to a changing workforce</td>
</tr>
</tbody>
</table>

VALUE CHAIN IMPACT

Sustainability Dimension

1. Responsible Sourcing of Raw Materials
2. Supply chain transparency & supplier sustainability
3. Workforce

Circular Dimension

4. Carbon neutrality
5. Resource efficiency

DS 2030 VISION

Endeavor to collaborate with our supply chains to create a sustainable and circular automotive industry

VALUE CHAIN

Raw Materials Input -> Parts Manufacturing -> Product Manufacturing -> Sales & Aftersales -> Use -> End of use

Sustainability Dimensions

- Responsible Sourcing of Raw Materials
- Supply chain transparency & supplier sustainability
- Workforce

Circular Dimensions

- Carbon neutrality
- Resource efficiency

Recycle: Reuse/Remanufacture, Maintain, Refurbish/Remanufacture
THE GLOBAL CONTEXT

Global Maturity Level on Environmental Protection

Environment
Environmental Performance Indicators (EPI)

World’s Top 20 Largest Passenger Car-Producing Countries

<table>
<thead>
<tr>
<th>World’s Top 20 Largest Passenger Car-Producing Countries</th>
<th>EPI Ranking (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6</td>
</tr>
<tr>
<td>Spain</td>
<td>12</td>
</tr>
<tr>
<td>Germany</td>
<td>13</td>
</tr>
<tr>
<td>Italy</td>
<td>16</td>
</tr>
<tr>
<td>Japan</td>
<td>20</td>
</tr>
<tr>
<td>Canada</td>
<td>25</td>
</tr>
<tr>
<td>United States</td>
<td>27</td>
</tr>
<tr>
<td>Slovakia</td>
<td>28</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>33</td>
</tr>
<tr>
<td>Russia</td>
<td>52</td>
</tr>
<tr>
<td>South Korea</td>
<td>60</td>
</tr>
<tr>
<td>Brazil</td>
<td>69</td>
</tr>
<tr>
<td>Mexico</td>
<td>72</td>
</tr>
<tr>
<td>Malaysia</td>
<td>75</td>
</tr>
<tr>
<td>Iran</td>
<td>80</td>
</tr>
<tr>
<td>Turkey</td>
<td>108</td>
</tr>
<tr>
<td>China</td>
<td>120</td>
</tr>
<tr>
<td>Thailand</td>
<td>121</td>
</tr>
<tr>
<td>Indonesia</td>
<td>133</td>
</tr>
<tr>
<td>India</td>
<td>177</td>
</tr>
</tbody>
</table>

Environmental Protection Scores by Country calculated considering issues such as air quality, water and sanitation, heavy metals, biodiversity & habitat, forests, climate and energy, air pollution, water resources, etc.

Source: The Environmental Performance Index (EPI), Yale University
**THE GLOBAL CONTEXT**

**Global Anti-Corruption Maturity Level**

**CORRUPTION PERCEPTIONS INDEX 2017**

<table>
<thead>
<tr>
<th>World’s Top 20 Largest Passenger Car-Producing Countries</th>
<th>Ethic Percentile Rank* (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>95.12</td>
</tr>
<tr>
<td>Germany</td>
<td>89.54</td>
</tr>
<tr>
<td>Japan</td>
<td>88.80</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>87.06</td>
</tr>
<tr>
<td>United States</td>
<td>84.61</td>
</tr>
<tr>
<td>France</td>
<td>81.43</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>80.46</td>
</tr>
<tr>
<td>Spain</td>
<td>74.99</td>
</tr>
<tr>
<td>South Korea</td>
<td>74.63</td>
</tr>
<tr>
<td>Slovakia</td>
<td>72.94</td>
</tr>
<tr>
<td>Italy</td>
<td>67.90</td>
</tr>
<tr>
<td>Malaysia</td>
<td>60.15</td>
</tr>
<tr>
<td>India</td>
<td>46.29</td>
</tr>
<tr>
<td>Indonesia</td>
<td>45.91</td>
</tr>
<tr>
<td>Brazil</td>
<td>44.35</td>
</tr>
<tr>
<td>Thailand</td>
<td>44.05</td>
</tr>
<tr>
<td>China</td>
<td>42.12</td>
</tr>
<tr>
<td>Turkey</td>
<td>40.32</td>
</tr>
<tr>
<td>Mexico</td>
<td>38.04</td>
</tr>
<tr>
<td>Russia</td>
<td>27.12</td>
</tr>
<tr>
<td>Iran</td>
<td>21.66</td>
</tr>
</tbody>
</table>

*Ethics Percentile Rank is determined by Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of law, and Control of corruption*

Source: Transparency International, Corruption Perceptions Index Survey, 2017
Human rights and working conditions

The Human Freedom Index (HFI) presents a broad measure of human freedom, understood as the absence of coercive constraint.

Source: The Human Freedom Index 2018, Ian Vasquez and Tanja Porcnik
THE LOCAL CONTEXT

Expectations from authorities

- **Unveiling of the revised National Automotive Policy** (NAP, last revised in 2014) by the first quarter of 2019, covering the entire automotive ecosystem comprising 27 vehicle manufacturers (OEMs), 53,000 aftermarket establishments as well as 700 parts and component suppliers.

- Government has allocated a **Sustainable Development Financing Fund of RM1 billion** to support SDG initiatives under the United Nations Development Programme.

- **Amendments to the Employment Act** include ensuring non-discrimination clauses, increased paid maternity leave, the removal of night-work restrictions for female employees, mandatory investigations into sexual harassment complaints as well as flexible working arrangements negotiation.

- The **penalties of the violations** for Environment Quality Act 1974 were **increased** in 2018 by as much as ten-fold in some cases.

- The government published the **Green Technology Master Plan (GTMP) 2017-2030** in October 2018, which targets at increasing the number of manufacturer’s in green manufacturing from 10% in 2015 to 50% in 2030.

- The **2018 amendment to the Malaysian Anti-Corruption Commission Act** has resulted in stringent regulation coming into practice, with **businesses requiring anti-corruption frameworks and policies** that will need to be adhered to.

- The current **National Automotive Policy** has mentioned the **adoption of 3R (Reduce, Reuse, Recycle)**, the upcoming revised National Automotive Policy could further strengthen efforts in waste reduction across the automotive industry.
THE LOCAL CONTEXT

Expectations from civil society:

With the increasing penetration of Energy Efficient Vehicles (EEV) in the market over the past 5 years, there is a **high expectation that Electric Vehicles (EV) will dominate the market share in the future.** Stringent requirements from international brands on **decreased pollution requirements**, as well as the implication of demanding efficient batteries with responsible sourcing of cobalt could impact suppliers.

The **Malaysia Automotive Recyclers Association** established in 2008, successfully researched and lobbied to maintain the **import of used car parts with testing**, in order to **encourage End-of-Life Vehicle recycling**.

It is expected that the local automotive industry should aim to ensure that **human rights violations do not occur in their supply chain**, in order to ensure that business dealings and relationships with global brands are able to continue.

In order to ensure safe working conditions for their employees, the automotive industry players should look to ensure that **OHS-related Standard Operating Procedures (SOPs) are up-to-date and reviewed regularly** to avoid accidents from occurring.

Local suppliers should target to provide **exemplary policies for their migrant labour force**, to ensure that there is a positive impact on their lives and livelihoods, which in turn can yield higher productivity and efficiency in manufacturing.

**Increasing focus on anti-corruption frameworks** will create push for automotive industry to ensure clear policies discouraging corruption and illegal practices, and encourage protection to whistle-blowers and setting of grievance mechanism.
THE LOCAL CONTEXT

Expectations from the media

Can We Source Cobalt Legally And Ethically To Fuel Electric Cars?

Electric cars slash air pollution, but do they cause as many ethical and legal problems as they solve? It’s time to talk about cobalt.

Dirty lies: how the car industry hid the truth about diesel emissions

Up to 5 years’ jail for repeat child labour offenders in Malaysia

Kudos to Transport Ministry for policy on child safety seats

Waste Management in the Automotive Market Demand, Analysis, Size, Share by 2026

The latest market intelligence study on the Waste Management in the Automotive Market performs an extensive analysis of the competitive landscape and growing investment pocket of the Waste Management in the Automotive industry for the forecast period, 2018 - 2026.

Malaysia to streamline chemical regulations

Osha currently under review by Attorney General Chamber
THE LOCAL CONTEXT

Local sustainability focus topics

Environment
- Energy consumption
- Air quality
- Waste reduction
- Recycling of used car parts
- Ethical sourcing
- Water quality and consumption

Health & Safety
- Chemicals management
- Worker personal protective equipment
- Building safety
- Establishment of a health and safety committee

Business ethics
- Disclosure of non-financial information
- Anti-corruption and anti-bribery

Human Rights & Working Conditions
- Non-discrimination
- Worker health and safety
- Migrant labour conditions
THE LOCAL CONTEXT

Automotive industry maturity level to meet these expectations

Laggers

Room to improve

Leaders

Malaysia

Low Maturity
to
Moderate Maturity

• Lack of mandatory disclosure for sustainability-related matters
• Lack of effective enforcement of legislation
• Gap between sustainability initiatives of global brands and their supply chain operations in Malaysia

• The revision of laws on business ethics, environment, and human rights with the change in the government
• Increasing pressure from international regulators and business partners to transform the industry
• Malaysian government’s drive in achieving its climate change and sustainability related international commitment and targets
**THE REGIONAL CONTEXT**

**Relevant Guiding Principle: Environment, Health and Safety**

**Energy Consumption and Greenhouse Gas Emissions**

**INDONESIA**
- GHG emissions intensity reductions of 29% or 41% with funding assistance by 2030 (baseline 2005).

**BRUNEI**
- Targets of 63% energy consumption decreased by 2035.
- Pledges to reduce CO2 emissions from morning peak hour vehicle use by 40% by 2035.

**SINGAPORE**
- GHG emissions intensity reductions of 36% by 2030 (baseline 2005).
- Carbon Tax from 2019 to 2023 has been introduced. Government will review the carbon tax rate by 2023.

**Water Quality and Consumption**

**INDONESIA**
- Law No. 7/2004 on Water Resources exists to provide guidance on how to conserve water.
- The government set a Presidential Regulation (PerPres 33/2011) on the national policy of water resource management from 2011 to 2030.

**BRUNEI**
- Pollution Control Guidelines for Industrial Development exist.
- Created Water Conservation Unit (WCU) in 2012.

**SINGAPORE**
- Set allowable limits for trade effluent discharge to watercourse or controlled watercourse.
- The Public Utilities Board (PUB) regulates the sewerage system, the treatment and discharge of industrial wastewater into public sewers.

**Health and Safety**

**INDONESIA**
- The Work Safety Act (Law No.1, 1970) is the main Law for Occupational Safety and Health (OSH).
- Implemented Occupational Safety and Health Management System (OSHMS) in 2012 and OSHMS Audit in 2014.
- Government funded SME’s OSH Inspections.

**BRUNEI**
- Established The Safety, Health and Environment National Authority Order in 2018 to support Brunei’s Workplace Safety and Health Order (WSHO) 2009.
- Targets of 63% energy consumption decreased by 2035.
- Pledges to reduce CO2 emissions from morning peak hour vehicle use by 40% by 2035.

**SINGAPORE**
- GHG emissions intensity reductions of 36% by 2030 (baseline 2005).
- Carbon Tax from 2019 to 2023 has been introduced. Government will review the carbon tax rate by 2023.
- Guided by the National Workplace Safety and Health (WSH) Strategies (10-year strategies) developed in 2005 (WSH 2015) and 2008 (WSH 2018).
- Workplace fatal injury rate declined from 4.9 per 100,000 employed persons in 2004 to 1.9 in 2015.
## THE REGIONAL CONTEXT

### Relevant Guiding Principle: Business Social Ethics

#### Anti-Corruption

<table>
<thead>
<tr>
<th>INDONESIA</th>
<th>BRUNEI</th>
<th>SINGAPORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Indonesia’s anti-corruption specifically addresses the public sector.</td>
<td>• Prevention of Corruption (Laws of Brunei, Chapter 131) law exists</td>
<td>• Ranked high (lesser corrupt) on the anti-corruption list by Transparency International.</td>
</tr>
<tr>
<td>• No specific laws govern corruption in the private sector; private sector cases of corruption will go through the criminal court.</td>
<td>• Ranked high (lesser corrupt) on the anti-corruption list by Transparency International.</td>
<td>• Singapore policies to prevent corruption in the public sector including high salaries.</td>
</tr>
</tbody>
</table>

#### Disclosure of Information

<table>
<thead>
<tr>
<th>INDONESIA</th>
<th>BRUNEI</th>
<th>SINGAPORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Indonesia has national legislation on CSR Disclosure; including a 2% required expenditure on CSR activities.</td>
<td>• No specific policies, regulations or incentives that link to the disclosure of non-financial information exist in Brunei and there appears to be a lack of ESG-related NGOs.</td>
<td>• Legislation exists in Singapore on carbon emissions disclosure by industry through the Energy Conservation Act 2012.</td>
</tr>
<tr>
<td>• The CSR legislation includes social and environmental disclosures.</td>
<td></td>
<td>• Legislation on waste management exists through the Environmental Public Health Act 2014.</td>
</tr>
</tbody>
</table>

#### Non-Discrimination

<table>
<thead>
<tr>
<th>INDONESIA</th>
<th>BRUNEI</th>
<th>SINGAPORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Despite good labour laws, employment practice in Indonesia remains un-enforced and discriminatory</td>
<td>• About 30% of Brunei’s labour force are migrants</td>
<td>• Labouer’s are protected by the Employment Act, but no minimum wage exists which leads to exploitation</td>
</tr>
<tr>
<td>• Harassment still occurs despite existing legislation.</td>
<td>• No specific policies or regulations on discrimination exists yet.</td>
<td>• About half of Singapore’s labour force are migrant workers (of differing tiers)</td>
</tr>
<tr>
<td></td>
<td>• No minimum wage exists which leads to exploitation</td>
<td></td>
</tr>
</tbody>
</table>
THE REGIONAL CONTEXT

Automotive industry maturity level to meet these expectations

**Laggers**

- Gap in legislation between nations for several ‘Business, Ethics and Social' Guiding Principles (GP)
- Lack of effective enforcement of legislation
- Gap between sustainability initiatives of global brands and their supply chain operations in the region

**Room to improve**

**Leaders**

- Ratification to agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) shows commitment to increased human rights, business ethics and environmental improvement in industry moving forward
- Increasing pressure from international regulators and business partners to transform the industry
- Ensuring enforcement from a national level and policies in place to encourage stricter adherence to good practices as in the GPs

**ASEAN**

- Low Maturity to Moderate Maturity
A CLOSER LOOK

Understanding the topic & biggest challenges
# AGENDA

**Moving on to the next part**

<table>
<thead>
<tr>
<th>Participants form 2 groups</th>
<th>Group A: Business Ethics &amp; Social Sustainability</th>
<th>Group B: Environment and Health &amp; Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:15 – 10:45</td>
<td>Introduction Break-out session</td>
<td></td>
</tr>
<tr>
<td>10:45 – 12:15</td>
<td>Improvement plan exercise: Identifying key local challenges</td>
<td></td>
</tr>
<tr>
<td>12:15 – 12:45</td>
<td>Improvement plan exercise: Root causes and actions</td>
<td></td>
</tr>
<tr>
<td>12:45 – 13:30</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
<td>13:30 – 15:15</td>
<td>Improvement plan exercise: Root causes and actions (cont.)</td>
<td></td>
</tr>
<tr>
<td>15:15 – 15:30</td>
<td>Coffee break</td>
<td></td>
</tr>
<tr>
<td>15:30 – 16:30</td>
<td>Improvement plan exercise: Budget, responsibilities and timeline</td>
<td></td>
</tr>
<tr>
<td>Participants regroup</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16:40 – 17:00</td>
<td>Closing</td>
<td></td>
</tr>
</tbody>
</table>
BREAK-OUT SESSIONS
CLOSING

Summary and next steps
SUMMARY OF THE DAY

Findings from group discussion

- Which key challenges and actions did you identify?
- How do you plan to implement lessons learned in your company?

Any other comments, feedback or reflections from today?
WHAT’S NEXT?

For You…

• **Share** improvement plan and new ideas with colleagues
• **Improve** your company’s performance based on today’s learnings

...For Drive Sustainability

• **Follow up** email with all materials
• **Improve** future actions based on your feedback
ADDITIONAL RESOURCES

• Drive Sustainability [website]
• AIAG Supply Chain Sustainability [eLearning]
• Econsense [Training Video and Handbook]: Human Rights in the Supply Chain
• UN Global Compact [website]
• Global Reporting Initiative: [About Sustainability Reporting]
• GAN Business Anti-Corruption [Portal]
• CSR Europe [Webinars] and [business tools and practices]
EVALUATION FORM

Please complete & hand it to staff to receive your certificate
THANK YOU