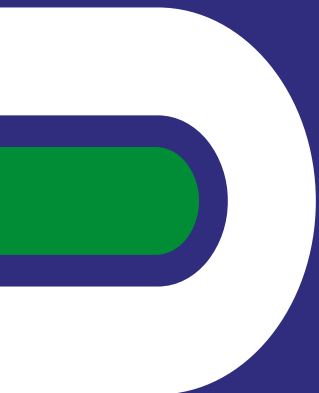


BUSINESS ETHICS AND SOCIAL SUSTAINABILITY

Break-out session



drive
sustainability

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

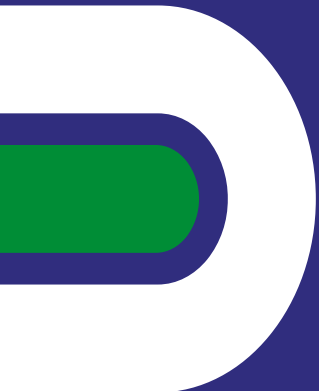
AGENDA: BUSINESS ETHICS & SOCIAL SUSTAINABILITY

Working & leaning together

10:15 – 10:45	Introduction Break-out session
10:45 – 12:15	Improvement plan exercise: Identifying key local challenges
12:15 – 12:45	Improvement plan exercise: Root causes and actions
12:45 – 13:30	Lunch
13:30 – 15:15	Improvement plan exercise: Root causes and actions (cont.)
15:15 – 15:30	Coffee break
15:30 – 16:30	Improvement plan exercise: Budget, responsibilities and timeline
Participants regroup	
16:40 – 17:00	Closing

INTRODUCTION

Expectations towards the industry: Guiding Principles



drive
sustainability

THE GUIDING PRINCIPLES

Business Ethics

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.

The screenshot displays the Drive Sustainability website. At the top, there is a header with logos for BMW GROUP, DAIMLER, FCA, Volvo, UN, HONDA, JAGUAR, and Land Rover. Below this, logos for NISSAN, SCANIA, TOYOTA, VOLKSWAGEN, VOLVO, and Volvo are shown. The main content is divided into two columns: 'Environment' and 'Human Rights and Working Conditions'. The 'Environment' section includes a general statement on environmental responsibility and a list of specific initiatives: Energy Consumption & Greenhouse Gas Emissions, Water Quality & Consumption, Air Quality, Natural Resources Management and Waste Reduction, and Responsible Chemical Management. The 'Human Rights and Working Conditions' section includes a general statement on respecting human rights and a list of specific initiatives: Child Labor/Labour and Young Workers, Wages and Benefits, Working Hours, Forced Labor/Labour, Freedom of Association, Health & Safety, and Harassment. A footer note refers to the Global Automotive Sustainability Practical Guidance located at AAAG: <http://aaag.org/corporate-responsibility-and-Drive-Sustainability> and www.drivesustainability.org.

THE PRACTICAL GUIDANCE

Business Ethics - A comprehensive approach includes but is not limited to:



Responsible Sourcing of Materials



Anti-Corruption, Financial Responsibility/Accurate Records, Disclosure of Information



Protection of personal data and Identity, Non-Retaliation



Fair Competition/Anti-Trust, Conflicts of Interest, Export Controls and Economic Sanctions

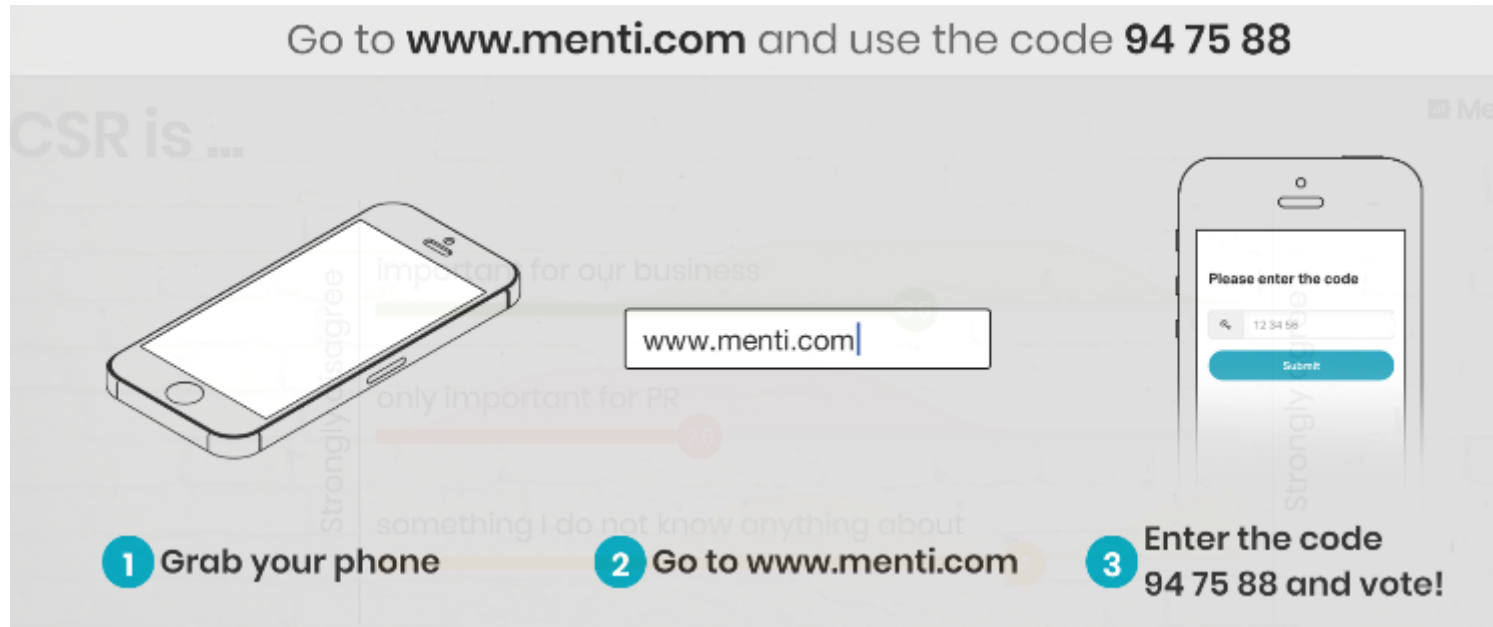


Counterfeit Parts, Intellectual Property

POLLING EXERCISE

On which topic of the Guiding Principles/Practical Guidance would you like to receive more information?

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



The diagram illustrates the process of accessing a Menti poll. It features three numbered steps: 1. Grab your phone, 2. Go to www.menti.com, and 3. Enter the code 94 75 88 and vote!. A smartphone is shown in step 1, a browser address bar with www.menti.com in step 2, and a smartphone screen displaying the Menti poll interface with the code 94 75 88 and a Submit button in step 3. The background of the diagram shows a blurred Menti poll slide with the text 'CSR is ...' and various options like 'Strongly disagree', 'important for our business', 'only important for PR', and 'something I do not know anything about'.

- 1 Grab your phone
- 2 Go to www.menti.com
- 3 Enter the code 94 75 88 and vote!

How to Write a Policy/Code of Ethics?

Preparation

- Consider mission, values, vision of the company
- Define the place and the role of the code
- Prepare benchmarks
- Research of norms and legislation

Approval on establishing
the policy/code

Execution

- Consult internally with the relevant departments, e.g. HR, compliance officer, in certain cases perhaps the CEO
- Stakeholder feedback
- Contact communication to discuss the layout of the code and the communications strategy
- Escalate the document and the ideas to the necessary decision-making fora

Approval on
the policy/code

Implementation

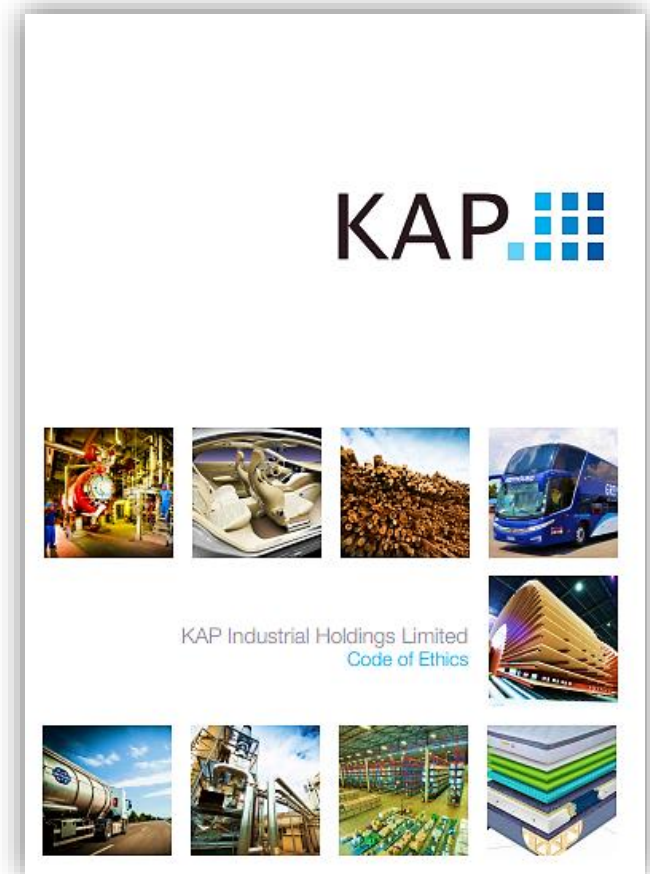
- With the approval of the board, create the final policy/code
- Start communication within the company. Trainings, e-learningings are common ways to roll-out such an instruments and don't forget refresher trainings.

Code of Ethics Example

About: KAP Industrial Holdings Limited (KAP) is a JSE-listed diversified industrial group consisting of industrial, chemical and logistics businesses. Its industrial business includes the manufacture of vehicle retail accessories and components used in new vehicle assembly.

Issue:

- KAP notes that one of its greatest, and most fragile, assets is its reputation.
- It believes in good governance and is committed to be, and to be seen as being, a good corporate citizen.
- All KAP employees must maintain the highest level of legal and ethical standards in all cases of their business conduct.
- Pro-active actions are needed to minimize corruption and human rights related risks.



Code of Ethics Example

Solution:

The KAP **Code of Ethics** provides:

- a summary of information on what constitutes unlawful or unethical business practices;
- guidelines on specific issues, including: conflicts of interest, gifts, bribery, insider trading, competition, compliance with laws, confidentiality and non-discrimination;
- guidance on what to do if one knows or suspects someone has violated a company policy or law; and
- steps to follow when reporting a breach of KAP's policies or a violation of law on a confidential basis.

KAP's **Social and Ethics Committee** (S&E Committee):

- is both a statutory committee and a committee of the board of directors in respect of other duties assigned to it by the board;
- assists the board with the oversight of social and ethical matters relating to the group; and
- has reinforced numerous controls and safeguards on conflicts of interests, ethics, employees' code of conduct, and the awareness of corruption and fraud.

KAP has established various confidential whistle-blowing facilities, using dedicated and independent hotlines for the reporting of unethical conduct.

Code of Ethics Example

Results:

- Positive progress and improved relations were evident in respect of business development and, in particular, Broad-Based Black Economic Empowerment (B-BBEE) contracts with institutional customers and suppliers following the appointment of a black business development executive to Exco.
- Anti-fraud and corruption were further combatted via awareness campaigns and training at Human Resources induction sessions.
- Overall, indications are that KAP's code of ethics had been embedded deeply into the daily operations and lives of the group's employees.
- KAP has now been included in the FTSE4Good Index In recognition of its approach to corporate governance. The Index is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices.



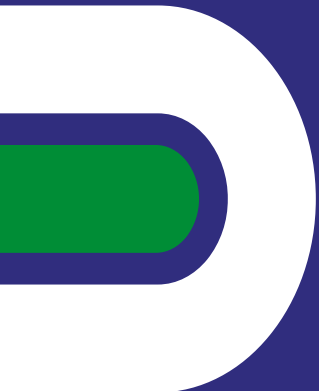
AGENDA: BUSINESS ETHICS & SOCIAL SUSTAINABILITY

Working & leaning together

10:15 – 10:45	Introduction Break-out session
10:45 – 12:15	Improvement plan exercise: Identifying key local challenges
12:15 – 12:45	Improvement plan exercise: Root causes and actions
12:45 – 13:30	Lunch
13:30 – 15:15	Improvement plan exercise: Root causes and actions (cont.)
15:15 – 15:30	Coffee break
15:30 – 16:30	Improvement plan exercise: Budget, responsibilities and timeline
Participants regroup	
16:40 – 17:00	Closing

IMPROVEMENT PLAN EXERCISE

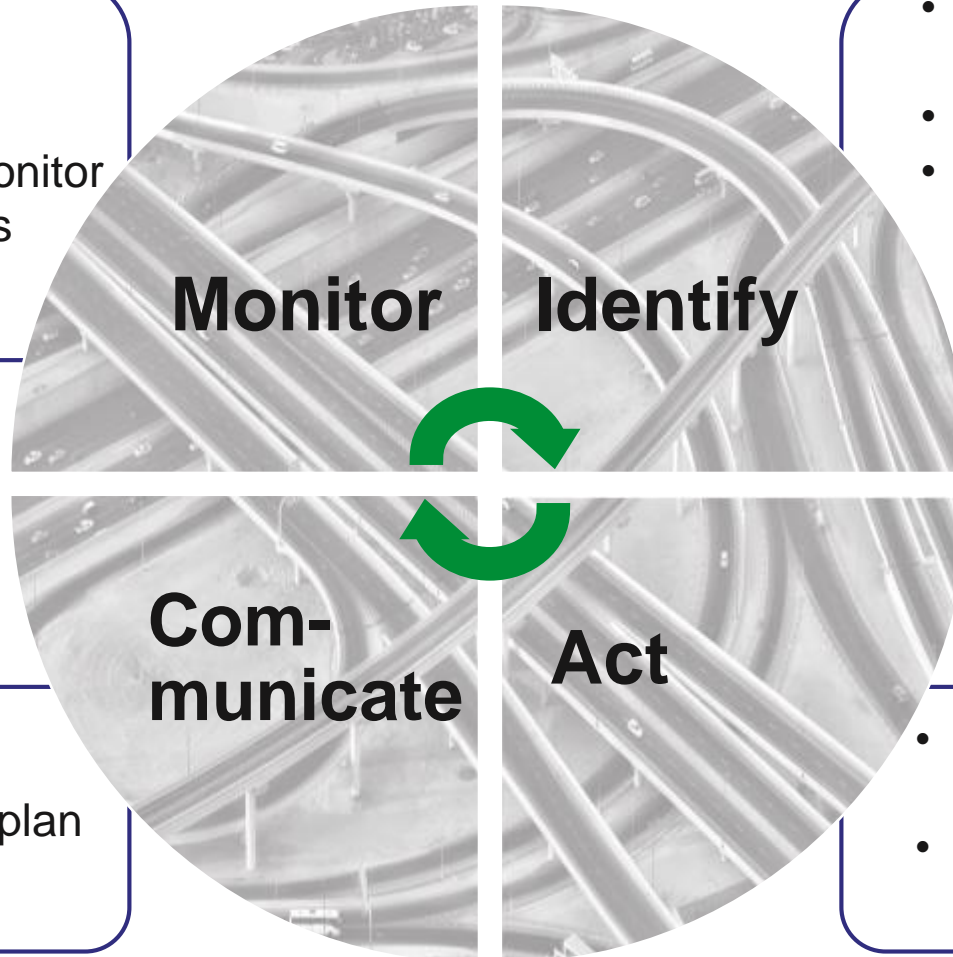
Identifying key local challenges



THE IMPROVEMENT PLAN

How to make an improvement plan

- Establish a strategy to monitor improvements



- Designate responsibilities
- Root causes analysis
- Identify and agree workable corrective and preventive actions

- Regularly communicate improvement plan status to key stakeholders

- Allocate realistic budget
- Set aggressive & reasonable timeline

GROUP EXERCISE – 1 H 30

Your group task for the day

<u>KEY CHALLENGES</u> <u>(SELECT 3)</u>	<u>ROOT CAUSES (SELECT</u> <u>3 PER CHALLENGE)</u>	<u>PLANNED</u> <u>CORRECTIVE AND</u> <u>PREVENTIVE ACTIONS</u> <u>(SELECT 2 PER ROOT</u> <u>CAUSE)</u>	<u>BUDGET</u>	<u>PERSON IN</u> <u>CHARGE</u>	<u>TIMELINE</u>

GROUP EXERCISE – 1 H 30

Format

40 min Brainstorming session

- Each table brainstorms:
 - What are the biggest challenges & issues you face/d in regards to business ethics, human rights and working conditions?
 - Where do you need support?
- Each table creates top 3 list of challenges they want to address in improvement plan

50 min Group discussion & analysis

- Each table presents 3 top challenges
- Trainer presents data analysis on biggest challenges
- Comparison / discussion

WHAT DOES THE DATA SAY

The biggest local sustainability issues with direct, short-term effect are:

Responsible sourcing of materials

Why:

- Oversight of supply chains can become complicated due to multiple sources of input, pressure of increasing international competition, and increasingly complex supply chains.
- Understanding and managing potential risks has become a strategic priority.
- Supply chain due diligence processes should be implemented to increase transparency and ensure responsible supply chain management.

Expectations:

- Necessary knowledge and resources is vital for responsible supply chain management.
- Downstream companies need to manage their suppliers and encourage transparency in supply chain processes.
- Suppliers will be asked to provide more information and data on how components and assemblies were actually manufactured, as well as audit results of these processes.

WHAT DOES THE DATA SAY

The biggest local sustainability issues with long-term effect are:

Anti-corruption

Why:

- South Africa has seen an increase in corruption instances over the past couple of years. Many companies are challenged with how to work against corruption, especially at local levels. Companies are expected to work against corruption in all its forms, including extortion and bribery.

Corruption Perception Index 2019:

Rank: **73/180**

A country's rank indicates its position relative to the other countries

Score: **43/100**

A country or territory's score indicated the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean)



WHAT DOES THE DATA SAY

The biggest local sustainability issues with long-term effect are:

Anti-corruption

Expectation:

- Integration of ethical standards and good practices throughout processes and with suppliers.
- Companies must define a Code of Conduct and adequate management systems to avoid any form of bribery or extortion.
- Employees should be trained on an ongoing basis to reduce the risk of corruption.
- Anonymous tip-offs/whistler blower mechanisms, clear guidelines, policies etc. should be established.
- Automotive suppliers should also consider monitoring internal procedures and ensuring transparency across their companies.

WHAT DOES THE DATA SAY

The biggest local sustainability issues with direct, short-term effect are:

Strike action

Why:

- The potential of a protracted strike within the local automotive industry to negotiate a new wage deal for the sector – with desire for a double-digit wage increase.
- At the end of 2018, production at one of the large manufacturing plants in South Africa was halted by a strike of 4000 members of NUMSA.
- Strikes have various impacts on businesses, including decreasing productivity and financial earnings.

Expectation:

- Strikes can hinder growth in South Africa and for local businesses.
- Suppliers need to ensure that they are in constant communication with employees and unions regarding working conditions, and health and safety.
- In addition, standards for working conditions and health and safety need to be implemented.

GROUP DISCUSSION

Theory VS Reality

- What is your opinion when you compare the results of your previous discussion and the data we collected before this training?
- What is/should be your final top 3 list of issues & biggest non-compliances?

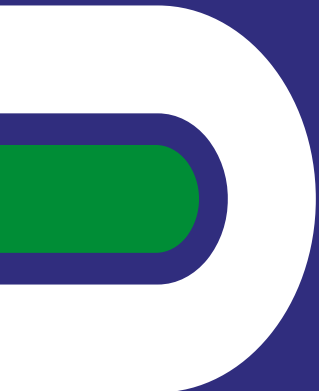
AGENDA: BUSINESS ETHICS & SOCIAL SUSTAINABILITY

Working & leaning together

10:15 – 10:45	Introduction Break-out session
10:45 – 12:15	Improvement plan exercise: Identifying key local challenges
12:15 – 12:45	Improvement plan exercise: Root causes and actions
12:45 – 13:30	Lunch
13:30 – 15:15	Improvement plan exercise: Root causes and actions (cont.)
15:15 – 15:30	Coffee break
15:30 – 16:30	Improvement plan exercise: Budget, responsibilities and timeline
Participants regroup	
16:40 – 17:00	Closing

IMPROVEMENT PLAN EXERCISE

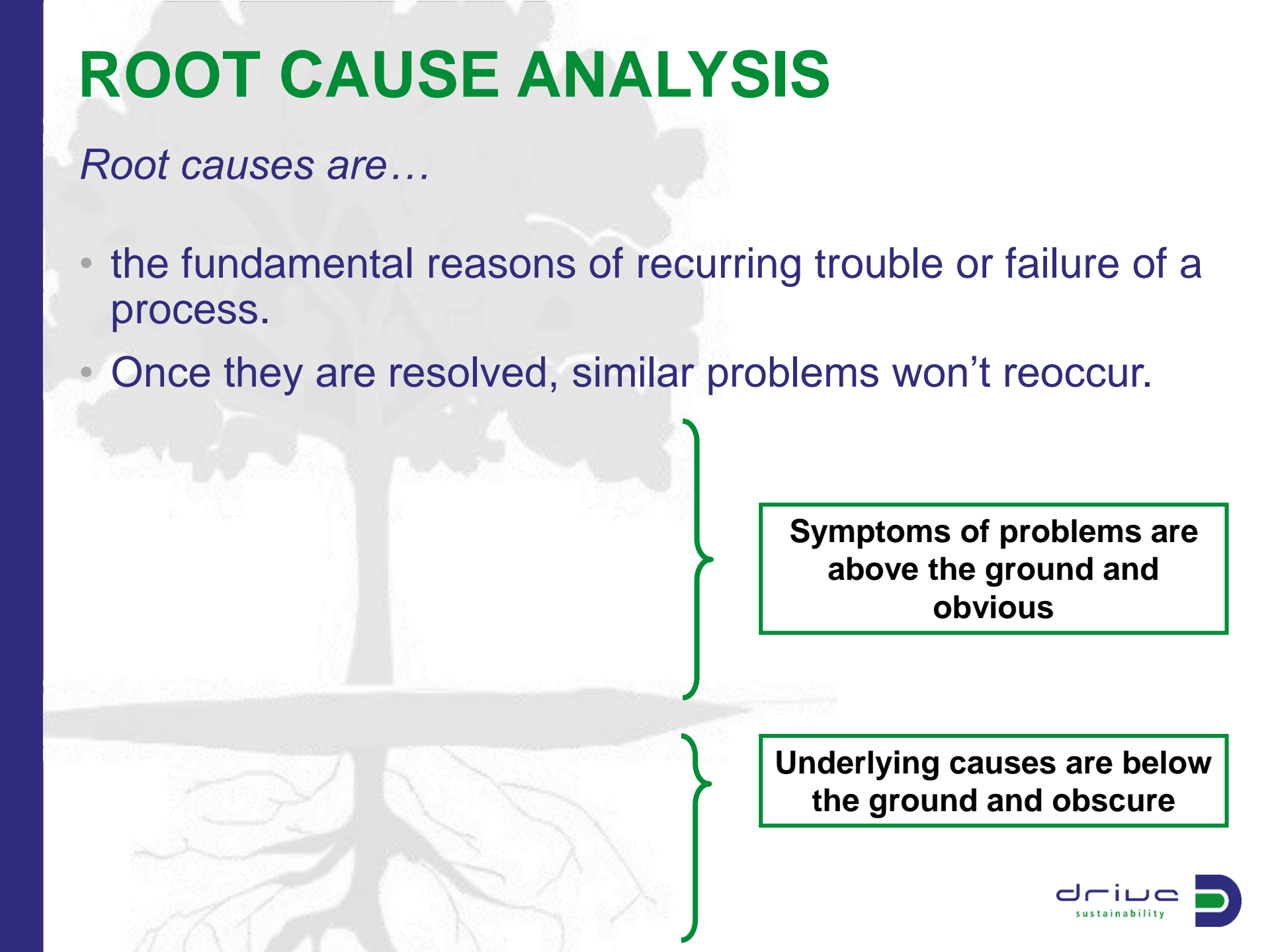
Root causes and actions



ROOT CAUSE ANALYSIS

Root causes are...

- the fundamental reasons of recurring trouble or failure of a process.
- Once they are resolved, similar problems won't reoccur.



**Symptoms of problems are
above the ground and
obvious**

**Underlying causes are below
the ground and obscure**

METHODOLOGY: ROOT CAUSE ANALYSIS

5 Whys



Fishbone methodology



Affinity diagrams



ROOT CAUSE ANALYSIS

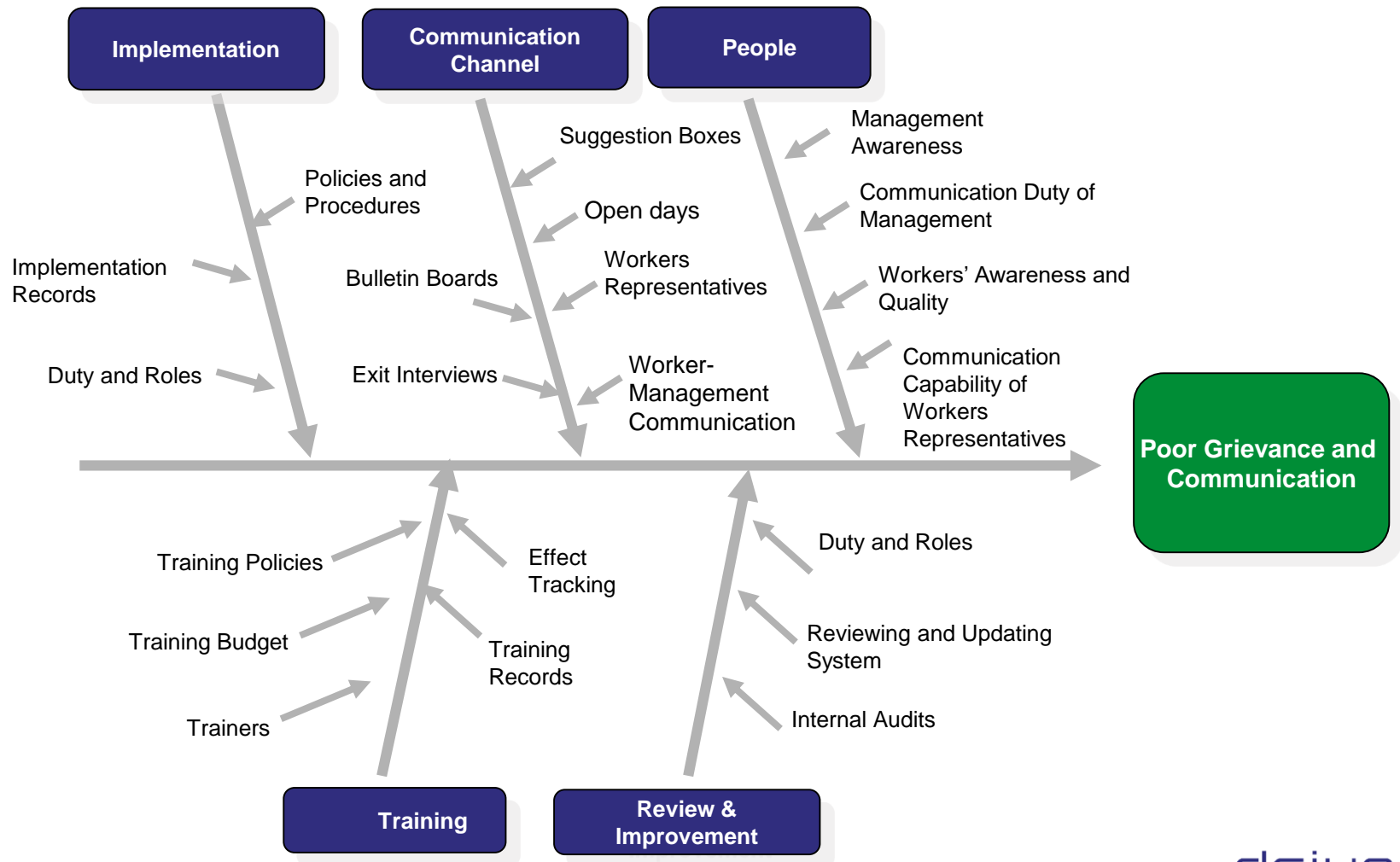
5 Whys

Case Study: Workers don't wear personal protective equipment

- **Q1: Why are workers dissatisfied?**
→ Because their concerns are not heard and addressed by the management e.g. unofficial pressure to do unpaid overtime.
- **Q2: Why are concerns not heard and addressed by the management?**
→ Because communication between workers and management is generally less direct and raising such concerns to the management is not part of the culture.
- **Q3: Why isn't the local corporate culture changing its ways?**
→ Because there is no program and target to drive such cultural change.
- **Q4: Why hasn't a program and target been set?**
→ Because worker satisfaction and communication are not set as key performance indicators and therefore are not prioritized by management
- **Q5: Why isn't upper management setting such KPIs?**
→ Because they lacked awareness of the issue before the employee satisfaction survey revealed that this communication channel is being missed.

ROOT CAUSE ANALYSIS

Fishbone methodology



ROOT CAUSE ANALYSIS

Affinity diagrams: Root cause classification

...generate, organize, and consolidate information




Lack of awareness



**Lack of management
commitment**




**Lack of procedure of
policy**



External cause



Cost



**Lack of internal
communication and
worker integration**

PLANNED ACTIONS

Corrective and preventive actions

Corrective action



Short-term

- Immediate remediation to remove / address the non-compliances

Preventive action



Long-term

- Address root cause issue
- Ensure issue does not reoccur
- Long-term implementation
- Focused on management systems

Lunch Break

12:45 – 13:30



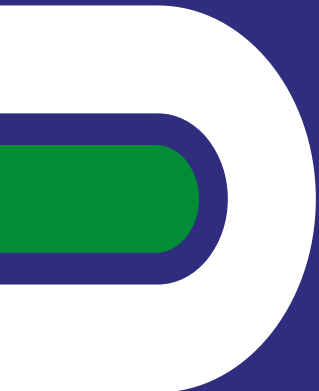
AGENDA: BUSINESS ETHICS & SOCIAL SUSTAINABILITY

Working & leaning together

10:15 – 10:45	Introduction Break-out session
10:45 – 12:15	Improvement plan exercise: Identifying key local challenges
12:15 – 12:45	Improvement plan exercise: Root causes and actions
12:45 – 13:30	Lunch
13:30 – 15:15	Improvement plan exercise: Root causes and actions (cont.)
15:15 – 15:30	Coffee break
15:30 – 16:30	Improvement plan exercise: Budget, responsibilities and timeline
Participants regroup	
16:40 – 17:00	Closing

IMPROVEMENT PLAN EXERCISE

Root causes and actions (cont.)



REMINDER

Morning session conclusion

- Top 3 challenges, issues, non-compliances
- Where do you need support
- Root cause analysis methodology

GROUP EXERCISE – 1 H 45

Improvement plan column 2 + 3

<u>KEY CHALLENGES</u> <u>(SELECT 3)</u>	<u>ROOT CAUSES (SELECT</u> <u>3 PER CHALLENGE)</u>	<u>PLANNED</u> <u>CORRECTIVE AND</u> <u>PREVENTIVE ACTIONS</u> <u>(SELECT 2 PER ROOT</u> <u>CAUSE)</u>	<u>BUDGET</u>	<u>PERSON IN</u> <u>CHARGE</u>	<u>TIMELINE</u>

GROUP EXERCISE – 1 H 45

Format

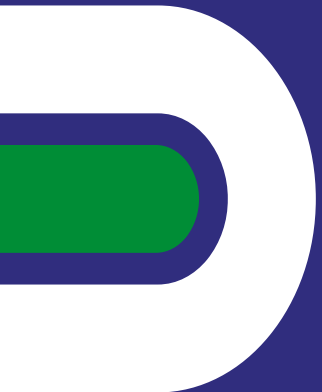
45 min Brainstorming session

- Each table brainstorms:
 - root causes and actions/countermeasures for each challenge
 - Participants share practical experience on how to deal with issues, what works, what does not work etc
- Each table creates top 3 list of root causes for each challenge
- Each table identifies two actions per root cause

60 min Group discussion

- Each table presents root causes and challenges
- Trainer presents best practices, case studies and solutions check-list to address challenges
- Comparison / discussion

Case Studies



Case Study 1: BMW Group's Legal Compliance Code

Focus topic: Anti-corruption

Issue: Corruption remains high in South Africa and companies are expected to work against corruption in all its forms, including extortion and bribery. The BMW Group recognises that corruption is a global problem, therefore taking resolute action to combat bribery and corruption.

Root Cause Analysis:

- BMW Group's global production and sales network presents increased challenges for corruption prevention due to different legal systems and cultures
- Challenges that may arise relate to corporate hospitality and gifts, cost coverage for speaking engagements, provision of vehicles, shuttle services, discounts and allowances, incentive schemes, sponsoring, donations (e.g. to charitable institutions) and memberships.

Corrective Actions: The BMW Group, which acknowledges the ten principles of the United Nations Global Compact and has signed a joint declaration on human rights and working conditions, has a BMW Group Legal Compliance Code in place. BMW Group takes a firm position on fighting corruption – and expects the same from its business partners.

Case Study 1: BMW Group

Focus topic: Anti-corruption

Preventative Actions:

- The Board of Management created a Compliance Committee in 2007 to control and monitor the necessary activities to provide systematic protection against compliance-related and reputational risks.
- To help its staff evaluate what is customary and reasonable, the BMW Group sets value limits and defines other criteria, which apply both to extending and accepting benefits.
- Within the company, possible violations of the law can be reported anonymously via the BMW Group SpeakUP Line.
- Training management for the online courses “Compliance Essentials” and “Antitrust Compliance” were switched to a central training platform.
- Compliance with and implementation of the BMW Group Legal Compliance Code and internal compliance regulations are audited regularly by Corporate Audit. The BMW Group Compliance Committee Office conducts spot checks in conjunction with a forensic service provider, focusing primarily on corruption prevention.
- In 2018, specific antitrust validations were introduced to identify and audit possible antitrust risks at the company.

Case Study 1: BMW Group

Focus topic: Anti-corruption

Results:

- In March 2019, BMW Group published the Due Diligence in the Supplier Network: Modern Slavery Act 2015: Progress Report 2018 focusing on countries with high risk of human rights abuses.
- The report is based on an analysis of data that BMW Group collected via its supply chain due diligence process, and shows the sustainable development of 642 BMW Group suppliers for the period of 2017-2018.
- 80%, in both 2017 and 2018, of all supplier locations in South Africa fulfil all of the MSA 2015 relevant sustainability requirements.
- The analysis focuses on criteria relating to the key aspects of the Modern Slavery Act 2015 (MSA 2015).
- The scope of the analysis includes four countries; China, Hungary, South Africa and Mexico, which represent important sourcing markets for the BMW Group, but also have an increased risk of human rights abuses.

Case Study 1: BMW Group

Focus topic: Anti-corruption

Lessons learned: In order to prevent and address any risks of non-compliance with and lack of implementation of the BMW Group codes, policies and internal compliance regulations, BMW Group conducts the following:

- Regular auditing of the BMW Group Legal Compliance Code and internal compliance regulations by Corporate Audit;
- Spot checks by the BMW Group Compliance Committee Office, in conjunction with a forensic service provider, focusing primarily on corruption prevention; and
- Training in order to reinforce compliance in corporate culture.

Case Study 2: Ford - Responsible Sourcing Blockchain Network

Focus topic: Responsible sourcing of materials

Issue: Companies are expected to conduct due diligence to understand the source of the raw materials used in their products.

Root Cause Analysis:

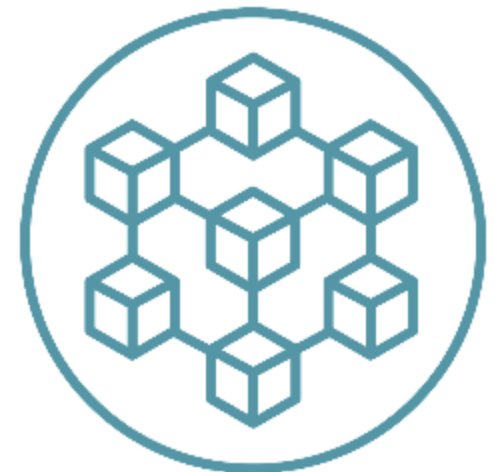
- In 2018, Ford assessed its salient human rights issues against the UN Guiding Principles Reporting Framework. In this industry-first assessment, Ford identified the responsible sourcing of raw materials as a salient human rights issue.
- As drivers transition from gas-powered cars to electric vehicles, a high demand for cobalt has emerged. There are major concerns surrounding the production of cobalt.
- Most of the world's cobalt comes from the Democratic Republic of Congo (DRC), a country with political instability, legal opacity and child labour in its mineral mines. More than 60% of the world's cobalt supply is mined in the “copper belt” of the south-eastern provinces of DRC.

Case Study 2: Ford - Responsible Sourcing Blockchain Network

Focus topic: Responsible sourcing of materials

Corrective Actions:

- Ford Motor Company has partnered with Huayou Cobalt, IBM, LG Chem and RCS Global to use blockchain technology to trace and validate cobalt from a mine in the DRC, via a refinery (China) and a battery factory (South Korea), to a U.S. Ford plant.
- Using a blockchain platform, the Responsible Sourcing Blockchain Network pilot will track cobalt along a simulated supply chain.
- Records of the journey will give network participants real-time visibility into the supply chain and create a system that accurately records the cobalt used in each batch, battery or car.
- Participants in the network will be validated against responsible sourcing standards developed by the Organization for Economic Cooperation and Development (OECD).



Case Study 2: Ford - Responsible Sourcing Blockchain Network

Focus topic: Responsible sourcing of materials

Preventive Actions:

- In recognising the importance of responsible sourcing of material at the onset of the sourcing process, Ford now includes cobalt due diligence questions in its 'Request for Quotation' for batteries.
- Beginning in 2018, all battery suppliers were requested to complete the Cobalt Reporting Template to understand sourcing of cobalt and the associated due diligence processes that are in place. This was part of the Responsible Minerals Initiative (RMI) cobalt pilot.

Results:

- Traditionally, miners, smelters and consumer brands relied on third-party audits to establish compliance with generally accepted industry standards.
- Together with these assessments, blockchain technology offers a network of validated participants and data that will eventually be seen by all permissioned network participants in real time. Moreover, blockchain can also be used to help network participants address their compliance requirements.

Case Study 2: Ford - Responsible Sourcing Blockchain Network

Focus topic: Responsible sourcing of materials

Lessons learned:

- According to Manish Chawla, General Manager of IBM's mining and industrial sector business, "Blockchain has been proven to be a very effective technology in raising the bar."
- Ted Miller, Ford Motor Company's Senior Manager for energy storage strategy and research, noted that Ford has been reducing the proportion of cobalt it uses to lower its dependency on it. It also wants to collaborate at all points of the supply chain.
- By applying innovative solutions to known industry issues, Ford will be able to understand the source of its raw material and whether the material is responsibly sourced.
- Companies can adopt management systems that monitor and address the risks of sourcing, such as implementing policies, internal management systems, tracing of documentation, due diligence etc.

Case Study 3: Volkswagen (VW) Group's Whistle-blower System

Focus topic: Anti-corruption and protection of identity and non-retaliation

Issue:

Companies are expected to establish processes that allow concerns to be raised anonymously with confidentiality and without retaliation. Volkswagen (VW) Group is committed to the principles of acting with integrity, complying with the law and standing by its voluntary undertakings and ethical principles.

Root Cause Analysis:

In order to prevent violations, vigilance by all employees, their willingness to report potential violations if reasonable suspicion exists, and timely, objective clarification of suspicious activity reports as well as sanctions by the VW Group for violations detected is required.

Case Study 3: VW Group

Focus topic: Anti-corruption and protection of identity and non-retaliation

Corrective Actions:

The VW Group has reorganised its Whistle-blower System with effect from 1 November 2017, which has been enhanced to make it even fairer, more transparent and faster. It highlights that the system guarantees the greatest possible protection for whistleblowers and persons implicated. Only after very careful examination of the facts and concrete evidence of a regulatory violation is an investigation initiated. There is strict confidentiality and secrecy throughout the investigative process, and the information is reviewed fairly, promptly and in a sensitive manner.

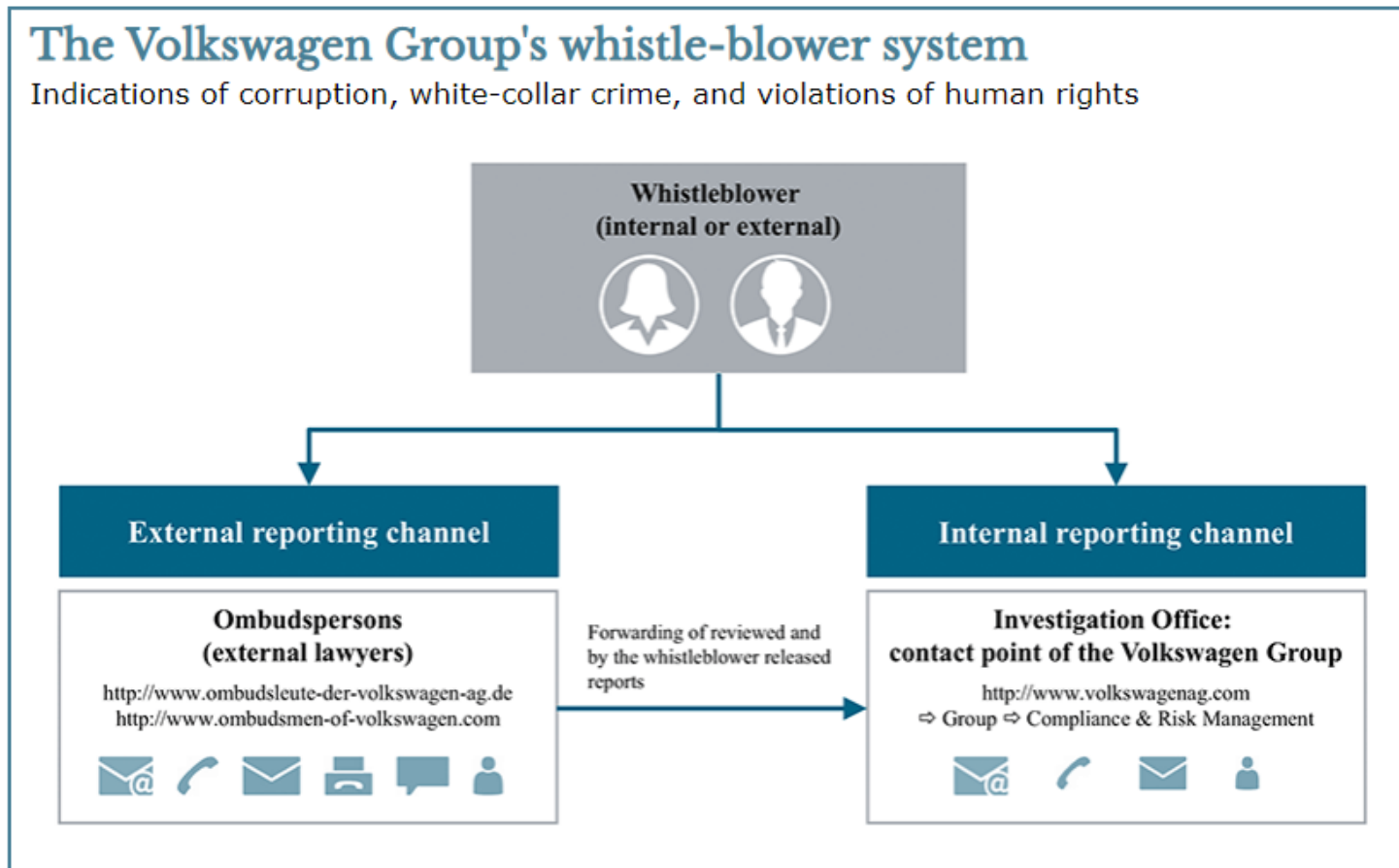
Preventive Actions:

The aim of the whistleblowing system is to detect and stop serious violations of laws and internal rules of conduct. It includes internal and external contact points for persons wishing to report violations of regulations in connection with the Volkswagen Group.

Case Study 3: VW Group

Focus topic: Anti-corruption and protection of identity and non-retaliation

Preventive Actions:



Case Study 3: VW Group

Focus topic: Anti-corruption and protection of identity and non-retaliation

Preventive Actions:

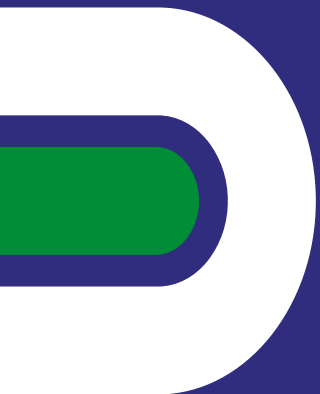
- VW Group has appointed two external lawyers as points of contact to all persons who are willing to report confidential evidence of suspected crimes or of similarly serious irregularities.
- Implementation of an internet-based communication platform to contact the Investigation Office, exchange documents and conduct a dialog with the lawyers via a separate mailbox.

Results: Whistleblowers are guaranteed protection and any statements made by them are handled confidentially. A whistleblower's identity will not be disclosed if she/he so wishes, and insofar as this is permitted by law.

Lessons learned:

- It is critical that various channels for confidential reporting are set up.
- Protection of whistleblowers not only assist in preventing corruption, it also encourages disclosure of information for the advancement of organisations

Solutions check-list



Business Ethics: Solutions to meet expectations

- ✓ Conduct due diligence to understand the source of the raw materials, don't knowingly provide products containing raw materials that contribute to human rights abuses and ethics violations
- ✓ Use validated conflict free smelters and refiners for procurement of tin, tungsten, tantalum and gold – responsible minerals sourcing
- ✓ Develop policies and procedures to explicitly prohibit corrupt practices
- ✓ Train employees to identify warning signs and establish controls to reduce likelihood of corrupt practices, conflicts of interests
- ✓ Clearly and accurately record financial transactions in books and records
- ✓ Comply with data privacy laws on personal data (consumer & employee)
- ✓ Abstain from any type of anticompetitive business practice, including cartel arrangements, abuse of economic dependence

Human Rights & Working Conditions: Solutions to meet expectations

Child Labour and Young Workers

- ✓ Use age verification systems, require proper documentation upon hiring
- ✓ Closely observe special restrictions when young workers are employed:: e.g. do not permit young workers to perform hazardous or night work

Forced Labour

- ✓ No restrictions for workers to voluntarily end their employment, such as excessive notice periods
- ✓ Security must not be allowed to intimidate or restrict the movement of workers
- ✓ Overtime must be strictly voluntary
- ✓ The factory must not retain workers' (including migrant workers) **original personal documents or deposit money**

Human Rights & Working Conditions: Solutions to meet expectations

Wages and Benefits

- ✓ Pay contractually-agreed wages, no vouchers or goods, in timely manner
- ✓ Use in-factory bank machines to pay wages
- ✓ Do not reduce wages for disciplinary reasons
- ✓ Ensure sub-contracted workers receive legally required wages/benefits
- ✓ Ensure proper maternity benefits are provided

Working Hours

- ✓ Use a time-keeping system and mandate days off
- ✓ Comply with applicable laws on working hours/overtime compensation
- ✓ Indicate processes for worker overtime
- ✓ Ensure that all overtime is voluntary



Human Rights & Working Conditions: Solutions to meet expectations



Freedom of Association

- ✓ Establish methods to communicate concerns: Direct and anonymous (e.g., suggestion boxes)
- ✓ Use communication cascades
- ✓ Promote independently elected health and safety committees
- ✓ Make sure employees receive copies of signed collective bargaining agreements



Harassment and non-Discrimination

- ✓ Prohibit pregnancy testing
- ✓ Pay attention to specific activities where discrimination needs to be prohibited: hiring, salary, advancement, discipline, termination
- ✓ Maintain specific policies prohibiting harassment

Human Rights & Working Conditions: Solutions to meet expectations



General

- ✓ Establish 2-way communications channels between management and employees in order to identify risk, pain points, and nascent dissatisfaction
- ✓ Some possible solutions:
 - ✓ Employee satisfaction survey
 - ✓ Internal innovation / idea collection (Kaizen-type)
 - ✓ Besides formal employee representation, draw up a network of ambassadors, who can help address specific problems, inform and motivate the workforce
 - ✓ Create opportunities where employees can meet management to discuss their problems
 - ✓ Reward achievement
 - ✓ Lead by example: management to show that they abide by rules, as well

GROUP DISCUSSION

Complete your list of actions: Which new actions can you add to your list?

Corrective action



Short-term

- Immediate remediation to remove / address the non-compliances

Preventive action



Long-term

- Address root cause issue
- Ensure issue does not reoccur
- Long-term implementation
- Focused on management systems

Coffee Break

15 min



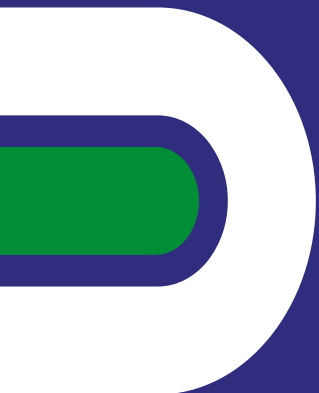
AGENDA: BUSINESS ETHICS & SOCIAL SUSTAINABILITY

Working & leaning together

10:15 – 10:45	Introduction Break-out session
10:45 – 12:15	Improvement plan exercise: Identifying key local challenges
12:15 – 12:45	Improvement plan exercise: Root causes and actions
12:45 – 13:30	Lunch
13:30 – 15:15	Improvement plan exercise: Root causes and actions (cont.)
15:15 – 15:30	Coffee break
15:30 – 16:30	Improvement plan exercise: Budget, responsibilities and timeline
Participants regroup	
16:40 – 17:00	Closing

IMPROVEMENT PLAN EXERCISE

Budget, responsibilities and timeline



drive
sustainability

GROUP EXERCISE – 1 H

Improvement plan column 4 - 6

<u>KEY CHALLENGES</u> <u>(SELECT 3)</u>	<u>ROOT CAUSES (SELECT</u> <u>3 PER CHALLENGE)</u>	<u>PLANNED</u> <u>CORRECTIVE AND</u> <u>PREVENTIVE ACTIONS</u> <u>(SELECT 2 PER ROOT</u> <u>CAUSE)</u>	<u>BUDGET</u>	<u>PERSON IN</u> <u>CHARGE</u>	<u>TIMELINE</u>

GROUP EXERCISE – 1 H

Format

20 min Improvement plan best practice

- Trainer presents best practice improvement plan

20 min Brainstorming session

- Each table brainstorms:
 - Budget, person in charge, timeline for each action

20 min Group discussion

- Each table selects one challenge and presents full improvement plan for it
- Trainer gives feedback
- Closing and conclusion

Improvement Plan Best Practice

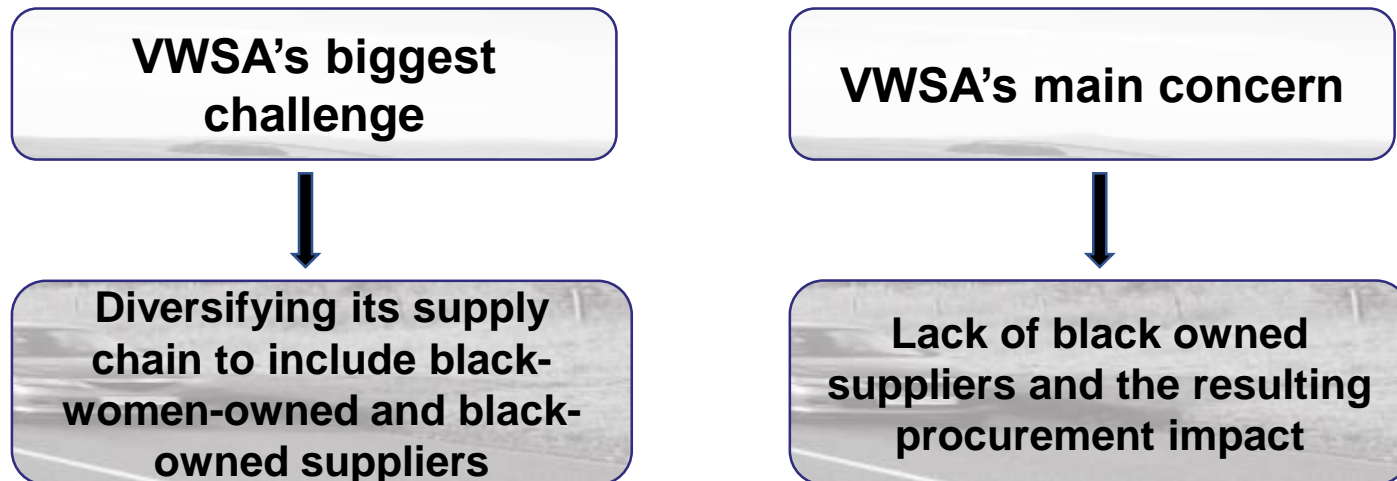
Case: Volkswagen South Africa on Empowerment

Issue:

Volkswagen Group South Africa (VWSA) recognised that there is a dire shortage of black-owned manufacturing companies in South Africa. As part of the multi-national business community, the company supports Broad-Based Black Economic Empowerment (B-BBEE) as a strategic initiative both at national and local level.

Project Definition: Transformation and Enterprise and supplier development

Root Cause Analysis:

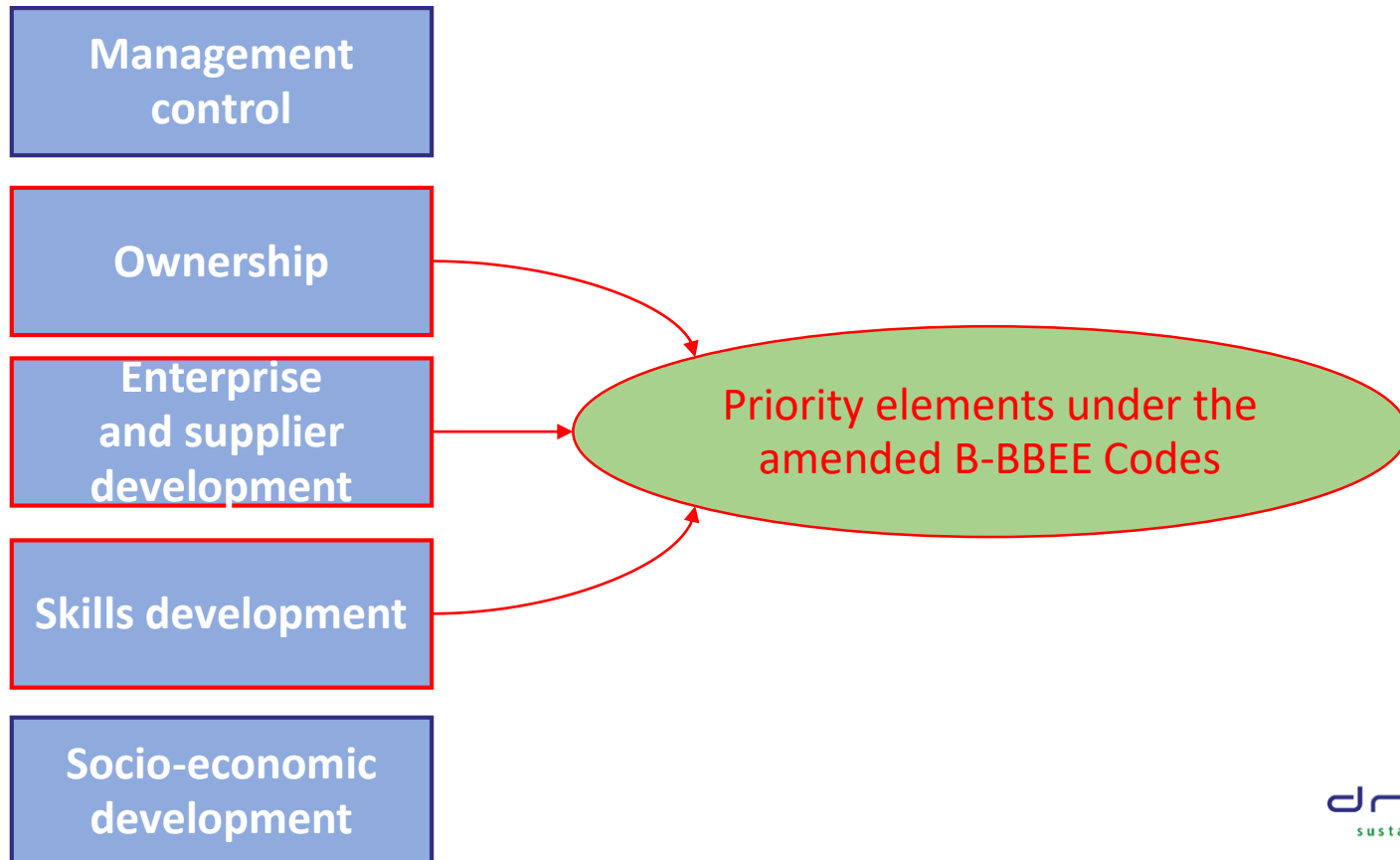


Improvement Plan Best Practice

Case: Volkswagen South Africa on Empowerment

Solution Analysis:

The B-BBEE status of an entity is measured across the following five elements, which VWSA invests in:



Improvement Plan Best Practice

Case: Volkswagen South Africa on Empowerment

Corrective Actions:

Having invested more than R5 billion in South Africa since 2010 and growing locally manufactured content to be in excess of 70%, VWSA continues to contribute significantly to the growth of the automotive manufacturing sector in South Africa through enterprise and supplier development. This includes the following initiatives:

- *Volkswagen Business Support Centre:* The VW Business Support Centre is Volkswagen Business Incubator that has been operating since 2011 with over R40 million invested. The Centre has 16 beneficiaries from the Nelson Mandela Bay area per annum.
- *Volkswagen B-BBEE Trust:* Established in February 2016, the Trust aims to increase the number of black suppliers in the automotive value chain by providing primarily financial and where required, non-financial assistance to black-owned suppliers.

Improvement Plan Best Practice

Case: Volkswagen South Africa on Empowerment

Corrective Actions:

- *Volkswagen Black-owned Supplier Day*: The first Black Supplier Day was hosted in May 2016 with the aim of stimulating the growth of black-owned manufacturing capacity in South Africa's automotive sector.
- *Volkswagen Ntinga Project*: Launched on 19 October 2017, the project is an 18 month coaching and mentorship programme that enables five black-owned manufacturing businesses that exhibited at the Black Supplier Day to ultimately become Volkswagen should all the programme requirements be satisfied.

Preventive Actions:

VWSA continues to implement and support the B-BBEE initiatives. This year, for example, VWSA committed to contributing R70.9 million to continue supporting and developing black owned suppliers through the Volkswagen B-BBEE Trust.

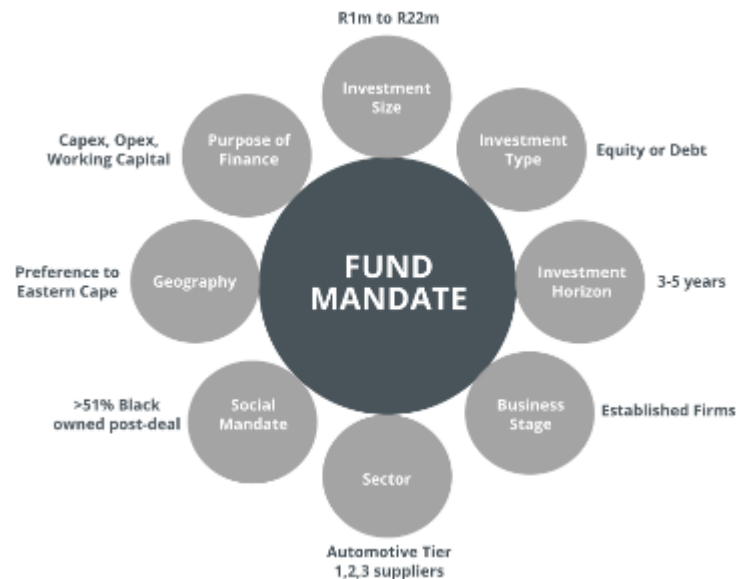
Improvement Plan Best Practice

Case: Volkswagen South Africa on Empowerment

Results:

VWSA has to date invested more than R100 million in areas of transformation as well as B-BBEE. The following are noteworthy:

- *Volkswagen Ntinga Project*: Over 300 suppliers have been approached and assessed by the Automotive Supply Chain Competitiveness Initiative (ASCCI). The five winning suppliers were awarded 18-month training and mentorship programme to enable them to become automotive suppliers.
- *Volkswagen B-BBEE Trust*: The Trust is mandated to fund a variety of businesses with diverse funding needs, investment horizons, business stages, geographies and purposes for which the funding is required.



Improvement Plan Best Practice

Case: Volkswagen South Africa on Empowerment

Results:

- *Volkswagen Business Support Centre*: Thus far, 43 businesses have completed the programme and some have gone on to become Volkswagen suppliers.
- *Volkswagen Black-owned Supplier Day*: VWSA identified 47 black-owned manufacturers and ultimately went on to conduct business with six of these.

Lessons learned:

- Investment in transformation should be a business and economic imperative. Diverse companies bring varying skillsets and may be more attractive in markets.
- Reliability and social impact are some of the benefits of investing in the supply chain's capacity.
- Smaller companies can contribute to BBBEE empowerment that isn't necessary financial, such as mentoring other smaller business, providing training, requiring certain BBBEE targets in contracts with their suppliers etc.

Improvement Plan Best Practice

Case: Volkswagen South Africa on Empowerment

Implementation plan:

- **Person in charge:**
- **Timeline:** continuous
- **Budget:** B-BBEE trust contribution of R70.9 million for black-owned suppliers
- **Success measurements/KPIs:**
 - Number of businesses completing the Volkswagen Business Support Centre programme
 - BBEE targets: Number of black-owned suppliers

GROUP DISCUSSION

- What is your feedback after doing the exercise?
- Did you encounter any difficulties?
- What are 3 words that summarize the discussion at your table?

CLOSING

Please regroup with other session

