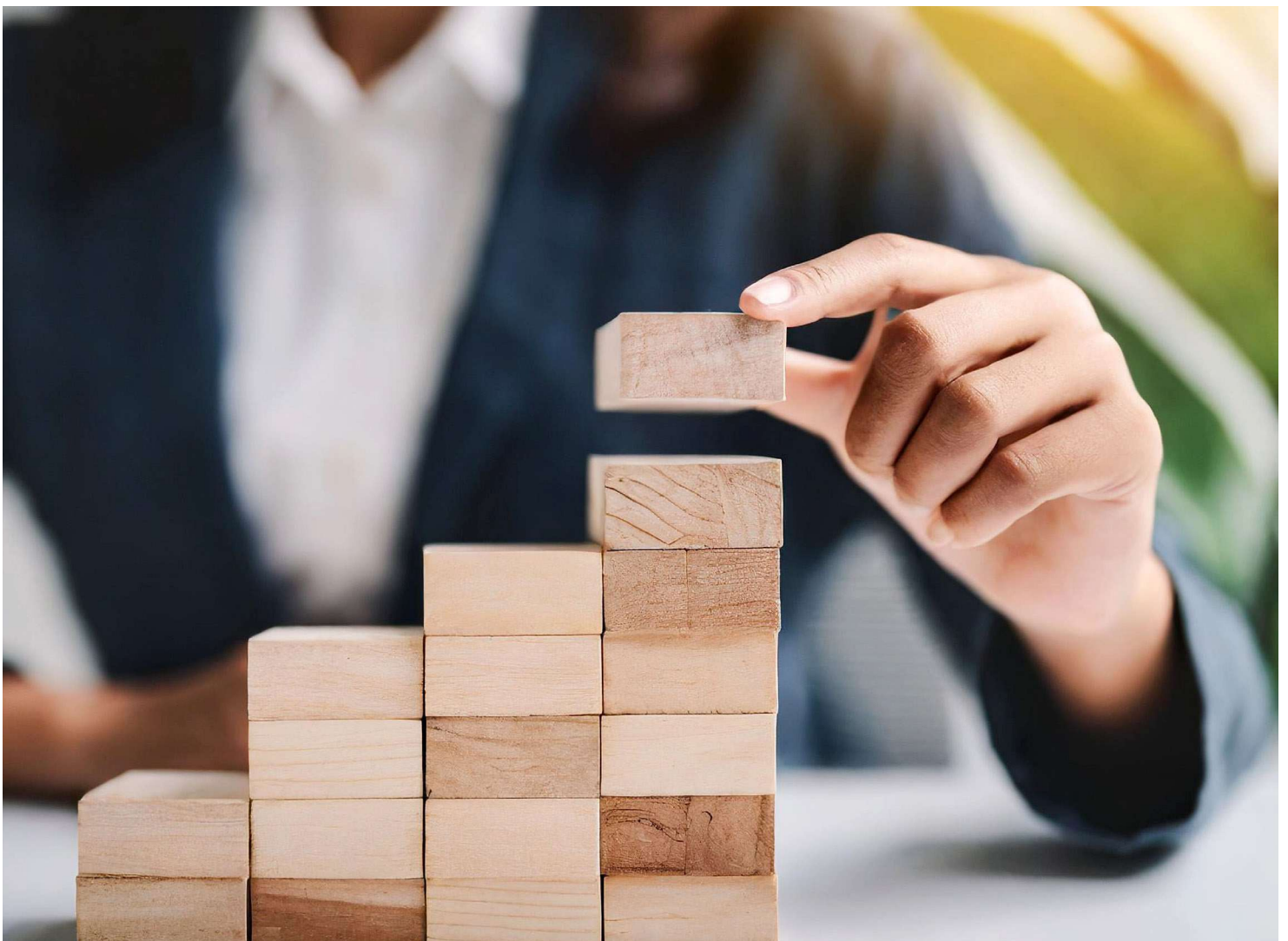Recommendation

Business Partner Code of Conduct

Practical Guidance

A. Practical Guidance Background

Background

The Business Partner Code of Conduct ("Code") outlines the expectations of companies towards suppliers on issues related to sustainability. This Practical Guidance outlines a practical explanation of each standard and examples of how to comply with the standards.

Purpose

The purpose of this document is to complement the Code with more information and examples of actions that suppliers could take in an attempt to improve overall sustainability performance.

This document outlines several examples of how to meet the standards described in the Code regarding Business Ethics, Environment, Human Rights and Working Conditions, Health and Safety and Responsible Supply Chain Management. However, this Guidance does not represent the only way to meet the expectations.

Order of prevalence

Suppliers expect suppliers to comply with laws, regulations and individual standards, codes, policies and contractual arrangements set by individual companies. Furthermore, international expectations and industry practices can be used for reference.

- If there is no (local) legislation, suppliers should use as a reference point the company specific standards/policies/codes and contractual arrangement, industry practices and international frameworks.
- In assuring compliance, suppliers must always use as a reference point those laws, regulations, practices, international expectations, and company standards/policies/codes that set the highest standards.

B. General Principles

1. Principle of Shared Responsibility

The Business Partner Code of Conduct defines common standards for suppliers and us that we commit to uphold together as a shared responsibility. This does not relieve any party of taking the measures required to uphold these standards individually but entails that we will address issues that arise cooperatively: Where needed we recommend using publicly available resources/methods/tools e.g. NAP-Branchendialoge, Multi-stakeholder-initiatives SAQ, RSCI, trade unions, industry-asscociations.

2. Management Systems

The Code recommends suppliers implement management systems to manage issues falling under the categories of Business Ethics, Environment, Human Rights and Working Conditions, Health and Safety and Responsible Supply Chain Management.

A management system can be defined as a combination of written documents, functions, processes, controls and tools that help an organization comply with legal and customer requirements, control its operations and reach objectives. The complexity of a management system depends on the organizational size and scope of activities.

To substantiate the existence and effectiveness of its management system, a supplier can decide to certify it against an international or national standard.

There are various standards for different management systems. The largest developer of voluntary international standards is the International Organization for Standardization (ISO), comprised of 165 national standards bodies. ISO's Management System Standards (MSS) are among the most widely used and recognized documents, designed to be applicable across industries and geographies.

Examples of relevant ISO MSS include:

1. ISO 14001 – Environmental Management Systems

2. ISO 50001 – Energy Management Systems

3. ISO 45001 – Occupational Health & Safety Management Systems

4. ISO 37301 – Compliance Management Systems

In addition to Management System Standards, ISO also provides Management Standards (MS) supporting the implementation of specific aspects of an organization's management system. In contrast to MSS, MS are guidelines and not intended for certification purposes or regulatory or contractual use. One such example is ISO 26000 - Guidance on Social Responsibility that promotes common understanding of social responsibility and socially responsible behavior.

While the standards may set different expectations for different management systems, generally an effective management system, regardless of its scope, embeds some elements that are commonly found in all sustainability-related standards. When it comes to an internationally accepted certifiable standard for Working Conditions and Human Rights and Responsible Supply Chains, a notable example is SA8000 developed by Social Accountability International (SAI) and modelled on ISO standards.

The Practical Guidance emphasizes the presence of the following elements that lie at the core of an effective management system for sustainability, in line with recommendations set by International Finance Corporation[1]:

Policies: Suppliers should define their commitment to the principles of responsible business conduct expressed in this document.

1. **Risks and Impacts Assessment:** Suppliers should identify and measure their social, environmental and governance risks and impacts and prioritize the actions to address them.

2. **Management Programs:** Suppliers should mitigate, minimize, or compensate for the identified risks and impacts, prevent recurrence and ensure continual improvement.

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[1] Source: ICF, 2015. Environmental and Social Management System. Implementation Handbook. Available at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_esms-general

3. **Competency and Capacity Building:** Suppliers should assign responsibilities and allocate resources for the implementation of the management system, and train and engage its personnel at all levels to develop the right knowledge, skills and attitudes necessary to reach policy objectives.

4. **Emergency Preparedness and Response:** Suppliers should develop response procedures outlining responsibilities and actions to be taken in identified emergency situations and provide the resources to effectively implement response plans.

5. **Stakeholder Engagement:** Suppliers should identify their main stakeholders and systematically engage them in a meaningful dialogue.

6. **Grievance Management:** Suppliers should provide communication channels through which stakeholders can raise their grievances and seek remediation.

7. **Reporting on the Progress:** Suppliers should report internally and externally on arising risks and issues and how they are addressed.

8. **Monitoring and Review:** Suppliers should monitor, evaluate and track performance of the management system and regularly revise it, integrating key learnings from the previous period.

C. Recommendations for Standards

1. Business Ethics

Anti-Corruption and Anti-Money Laundering:
- It is expected to regulate the professional conduct of management staff and ordinary employees and have a zero-tolerance policy for all forms of bribery, corruption, extortion, embezzlement and money laundering.
- No promising, offering, authorizing and 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.
- Establishing internal processes e.g. whistleblowing system aimed at receiving and handling reports about any occurrence of suspicious transactions, guaranteeing confidentiality and non-retaliation.

Data Protection and Data Security:
- Refraining from using personal data for any purposes beyond the scope of the business arrangement.
- Putting in place appropriate measures to respect privacy and protect personal data against loss and unauthorized access or use, including confidential, proprietary and personal information.
- Compliance with the principles of purpose limitation and data minimization, especially with regard to machine learning algorithms.
- Implementation of data protection by design and by default and provide the data subjects with the relevant information (such as the identity of the data controller, the purpose of the processing, the data recipients, the retention period and the data subject's legal rights).

- Establishing appropriate measures that work to ensure the security and confidentiality of processed data and take all useful precautions to prevent control being taken by unauthorized persons (especially when processing geolocation data, biometric data and data revealing criminal offences).
- Implementation of an effective way for data subjects to exercise their legal rights.
- Foreseeing special safeguards when transferring personal data to countries outside the EEA, especially to regions characterized by the high probability of ransomware attacks.
- Reasonable actions could be, but are not limited to, the implementation of policies prohibiting forwarding personal data such as addresses, salary information or photos without permission of effected/affected persons, etc.

Financial Responsibility/Accurate Records:
- To adequately address the Business Partner Code of Conduct requirements it is required to accurately record, maintain, and report business documentation including, but not limited to, financial accounts, quality reports, time records, expense reports and submissions to customers or regulatory authorities, when appropriate. Books and records should be maintained in accordance with applicable law and generally accepted accounting principles.
- Acting in accordance with generally accepted accounting practices, and the accounting records should show the nature of all transitions in a correct and non- misleading manner.
- Business partners emphasize the integrity of their financial personnel and financial reporting system control.

Disclosure of Information:
- It is mandatory to disclose financial and non-financial information in accordance with applicable regulations and prevailing industry practices, and when applicable, disclose information regarding their labor force, health and safety practices, environmental practices, business activities, financial situation and performance, including signing of important contracts and dissolution of strategic partnerships and legal proceedings.

Conflicts of Interest:
- Decisions should be based on solid business judgment unclouded by favoritism/ resulting from personal relations and opinions.

Counterfeit Parts:
- To prevent counterfeit parts, the development, implementation and maintenance of methods and processes appropriate to their products and services to minimize the risk of introducing counterfeit parts and materials into deliverable products.
- Effective processes are established to detect counterfeit parts and materials and, if detected, quarantine the materials and notify the Original Equipment Manufacturer (OEM) customer and/or law enforcement as appropriate.
- Any sales to non-OEM customers are compliant with local laws and those products sold will be used in a lawful manner and with appropriate royalties where applicable.

Intellectual Property:
- Commercially reasonable practices to avoid the unjustified transfer of confidential technology and know-how (e.g., copyright, trademark, design, patent) need to be implemented.

Export Controls, Trade and Economic Sanctions:
- Appropriate policies and procedures are to be established, in order to ensure compliance with applicable export controls and economic sanctions laws and regulations of all relevant countries. These laws and regulations impose restrictions on the export or re-export of goods, software, services and technology to certain destinations, as well as prohibitions on transactions involving certain restricted countries, regions, entities and individuals.These appropriate policies and procedures may include: a statement of management's commitment to compliance; periodic training for relevant personnel; procedures for screening business partners (including suppliers, customers, service providers and other relevant parties, as well as their beneficial owners) against applicable government lists of restricted parties; appropriate contractual provisions to ensure business partners comply with such applicable laws and regulations; an audit function; and policies and procedures for reporting and remediating potential violations.

Grievance Mechanism:
- Suppliers obliged by applicable law should establish an operational-level grievance mechanism (OLGM) which should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, based on dialogue and engagement and a source of continuous learning.
- Suppliers should cooperate in good faith with judicial or non-judicial mechanisms. Operational-level grievance mechanisms should not preclude access to judicial or other state-based processes or undermine the role of legitimate trade unions.
- It is pivotal to communicate the mechanism`s existence and procedure including on protection for rights-holders to workers and potentially affected local communities.
- Helpful instructions e.g. *https://www.csr-in-deutschland.de/SharedDocs/Downloads/ EN/NAP/automotive-industry-guideline-for-the-core-element-grievance-mechanism. pdf?__blob=publicationFile*

Remediation:
- When taking remediation measures companies should seek to restore the affected person or persons to the situation, they would be in had the adverse impact not occurred (where possible) and enable remediation that is proportionate to the significance and scale of the adverse impact.
- Compliance with the law and seeking out international guidelines on remediation where available, and where such standards or guidelines are not available, considering a remedy that would be consistent with that provided in similar cases needs to be ensured.
- Impacted rightsholders and their representatives should be consulted and engaged with in the determination of the remedy.
- Suppliers should seek to assess the level of satisfaction of those who have raised complaints with the process provided and its outcome(s).
- We support this process appropriately. This can include further support measurements and is not limited to technical guidance.

Non-retaliation:
- No further explanation

Cyber Security:
- Recommended cybersecurity end-to-end measurements are an established cybersecurity strategy complex and comprehensive Information Security Platform, Awareness Training, Identity and Access Management (IAM), Security Information and Event Management (SIEM) and Zero Trust strategy.

Artificial Intelligence (AI):
- Partners that develop and/or use artificial intelligence (especially machine learning and deep learning) must ensure that artificial intelligence is used and handled responsibly, that its use can be explained, that privacy is protected, and that its use is safe, secure, and re-liable. In this context, they must follow an approach that ensures that development remains human-centric and that risks and opportunities are taken into account in equal measure.
- Technical documentation should be established before an AI system is released to the market or put into service and maintained along the entire lifecycle.
- In addition, user manuals that includes concise, complete, relevant, and understandable information should be provided to the potential users.
- Finally regular Maturity Assessments based on trustworthy Risk Framework need to be performed to identify potential weaknesses.

Data Integrity:
- We recommend Business Partners to adhere to sound data integrity principles to ensure that data and records provided to us is attributable, legible, contemporaneous, original, and accurate.
- We recommend Business Partners to refrain from any conduct that calls into question the integrity of data provided to us including data falsification, making unauthorized changes or substitutions to data, destroying, deleting, or overwriting data and to report any issue that impacts the integrity of our data (for example, errors, omissions, or international data manipulation). We recommend our Suppliers to familiarize themselves with the Company's data integrity policies and adhere to the following Data Integrity Principles:
    - Ensuring that test data is (a) attributable, legible, contemporaneous, original, and accurate and (b) generated and acquired, recorded, reported, retained, and disposed of in accordance with applicable law and the standards agreed with us.
    - Creating and maintaining attributable, legible, complete, consistent and accurate records of all tests, data values and data analyses and will not engage in any form of testing or data manipulation, including but not limited to the following:
        (a) intentionally report data values that are not the actual values obtained;
        (b) intentionally report the dates and times of data analyses that are not the actual dates and times of the data analyses; or
        (c) intentionally omit data values (in whole or in part) in reports.
- Proactive information of any reporting of non-authentic data by it to us without undue delay after the supplier becomes aware thereof.
- The Supplier will appropriately communicate these data integrity principles to and will ensure compliance with these data integrity principles by, all its employees and contract workers which fulfill supplier's contractual obligations towards us.

2. Environment

Business partners should ensure that all legally required permits, licenses, inspection and testing reports are in place, up to date and available for review at all times.

Carbon Neutrality:
- To create effective carbon neutrality strategies, tracking, documentation and provision of transparency upon request for energy consumption and greenhouse gas emissions at the facility and/or corporate level (Scope 1 and 2) as well as in the respective supply chains (Scope 3) is required. Business partners should look for cost effective methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.
- An effective energy management program should include the following elements: management commitment, identification of constraints, baselines establishment, goals and energy reduction projects. On a regular cadence, the project execution should be evaluated, measured and verified against the baseline and new targets should be set to close gaps or re-evaluate the process.
- An example of the initiative that helps companies define and validate science-based targets in line with the latest climate science is The Science Based Target initiative (SBTi).
- An example of the initiative that helps companies standardize environmental reporting (including climate-related) is CDP.

Water Quality, Consumption & Management:
- Assessment of water stress within the operations and throughout the life-cycle and integration of water management into the business plan.
- Business partners should measure and monitor their water footprint.
- Suppliers should develop a water assessment and water balance for each operation and site, establish a baseline and set goals for reduction (e.g., cubic meters per unit); business partners should also set objectives and methods for efficient conservation projects with measurement to compare progress against goals to close gaps and provide transparency via reports, upon request.
- On developed sites, water should be managed to prevent potential impacts from flooding as consequence of rainwater run-off.

Air Quality:
- Air emissions should routinely be monitored, air emission controls be integrated into the business plan, an air emissions management plan that meets or exceeds regulatory requirements be established for each facility and needed corrective actions be applied if air emissions are in violation of regulatory requirements.
- Air emissions include, but are not limited to, volatile organic compounds (VOCs), corrosives, particulate matter (PM), ozone-depleting substances, air toxics and combustion by-products generated from business and manufacturing operations.

Responsible Chemical Management:
- By developing control measures, suppliers should ensure the safe transportation, handling, use, storage, disposal, and emergency disposal of hazardous emissions of chemicals and avoid adverse effects on employees, communities and the environment.
- Safety Data Sheets/Material Safety Data Sheets that comply with all applicable laws and regulatory requirements are to be provided.

- Business partners should work towards establishing programs (IMDS or equivalent) to collect data from material manufacturers for all components, identifying all process chemicals and intermediates that are identified as classified hazardous substances according to local law, or being considered for classified hazardous evaluation.
- The data completeness should be measured against bill of materials (BOMs), identifying data shortages, and taking corrective measures to assure data is traceable to the material manufacturers.
- The overall risk that each facility faces when handling chemical materials found in new product/process designs or laboratory tests is to be reduced to a minimum.

Circularity, Sustainable Resources, Waste Reduction, Reuse and Recycling:
- It is recommended to set targets for waste reduction and establish a waste management hierarchy that considers in priority order: prevention, reduction, reuse, recovery, recycling, removal and finally disposal of wastes.
- The use of sustainable, renewable natural resources in an efficient manner are encouraged and supported in such that waste and residual products are minimized over the product's life cycle.
- Safe handling and disposal of all waste generated through safe and responsible methods that protect the environment and the health and safety of employees and local communities.

Animal Welfare:
- Adherence to the 3Rs principles for animal testing within their operations. The 3Rs are:
  - Replacement: Replace animals with non-animal methods where possible.
  - Reduction: Reduce the number of animals used, using only enough to obtain scientifically valid results.
  - Refinement: Refine animal use and care practices to minimize pain, suffering, distress or lasting harm to the animals

- It is expected by business partners to take all reasonable steps to avoid animal suffering in their operations and in particular not cruelly of unnecessary cause injury to an animal.
- The five freedoms formalized by the World Organization for Animal Health (OIE) concerning animal welfare are a recommended framework to be respected, which include: freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury, and disease; freedom to express normal and natural behavior; and freedom from fear and distress.

Biodiversity, Land Use and Deforestation:
- Measuring the impact and dependencies of their business on the ecosystem, develop and implement a strategy and action plans to prevent, reduce and offset adverse impacts.

3. Human Rights and Working Conditions

- It is mandatory to respect internationally proclaimed human rights including, but not limited to:
  - The International Bill of Human Rights
  - The core conventions of the International Labor Organization: conventions numbers 29, 87, 98, 100, 105, 111, 138 and 182
  - International Labor Organization Declaration on Fundamental Principles and Rights at Work
  - Article 32 of the UN Convention on the Rights of the Child
  - OECD Guidelines for Multinational Enterprises
  - UNGC Guiding Principles on Business and Human Rights

- Business partners should have policies and management systems in place to support compliance with laws, regulations and industry expectations.
- Business partners should work to reduce the risk of potential human rights violations in their operations and through their business relationships by identifying risks and remediating any non-conformance in a timely manner:
  - This includes all workers: full and part time employees, temporary, migrant, student, contract and any other type of worker.
  - Helpful and more detailed guidance on many of these aspects can be found here: *https://bhr-navigator.unglobalcompact.org/*

Child Labor and Young Workers:
- Child labor is not tolerated. The age of employment for young workers must meet or exceed company guidelines and local labor laws.
- The use of legitimate workplace apprenticeship and student learning programs which comply with all applicable laws and regulations are supported.
- To ensure proper management of student workers, suppliers should maintain accurate student records and protect students' rights in accordance with applicable laws and regulations.
- Business partners must not employ young workers for any hazardous work, nighttime or overtime work, or work that is inconsistent with the young worker's personal development. Personal development includes a young worker's health or physical, mental or social development. Young workers must, at all times, be protected from violence and abuse. Where a young worker is employed, the best interest of the young worker should be a primary consideration.

Wages and Benefits:
- Compensation of workers for overtime has to be in accordance with applicable local laws and regulations, including those relating to minimum wages, overtime hours and legally mandated benefits.
- Workers remuneration enables a decent standard of living, which includes adequate food, clothing and housing and the continuous improvement of living conditions, as defined by art. 7.1 and 11.1 of *the International Covenant on Economic, Social and Cultural Rights.*
- Workers shall receive a wage statement that includes adequate information to verify compensation for work performed for each pay period.
- The use of temporary, outsourced labor must be in accordance with applicable local laws and regulations.

Working Hours:
- Business partners must comply with all applicable local laws regulating working and resting hours and maximum consecutive days of work.
- Business partners must make sure that hours worked beyond the normal work week are voluntary, unless a collective bargaining agreement allows for required time under certain conditions and/or if lawful in exceptional circumstances.

Modern Slavery:
- All workers must have the right to enter into employment voluntarily.
- Human Trafficking is in the scope of this Business Partner Code of Conduct defined as: Forced, bonded (including debt bondage) or indentured labor, and slavery or trafficking of persons must not be used by any company. This includes, but is not limited to, transporting, harboring, recruiting, and transferring or receiving persons by means of threat, force, coercion, deception, abduction or fraud for labor or services.

Ethical Recruiting:
- Business partners and agents must not hold, destroy, conceal, confiscate or deny access to employee identity documents unless required by applicable law.
- Workers are not required to pay recruitment fees or related fees of any type for employment.
- Workers receive a written notification about the terms of employment, or it is ensured by other means that they understand the terms of employment in a language well understood by the workers.

Non-Discrimination, Harassment and Women's Rights:
- No harsh or inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers is accepted; nor is there to be the threat of any such treatment. Disciplinary policies and procedures in support of these requirements should be clearly defined and communicated to workers. Medical testing or physical examination of any worker or potential worker for the purpose of discrimination should not be permitted in any situation.
- Ensuring maternity protection, maternity leave and parenthood.
- Accommodations for religious practices of workers should be supported in reasonable ways.

Land Rights and Forced Eviction
- The UN Committee on Economic, Social and Cultural Rights defines forced eviction as the permanent   or temporary removal against the will of individuals, families or communities from their homes or land, which they occupy, without the provision of, and access to, appropriate forms of legal or other protection.

4. Health & Safety

Workspace:
- To ensure health & safety at the workspace it is recommented to implement a machine safeguarding program that includes the machinery being equipped with all necessary protective devices, provides needed process instructions such as 'lock out tag out procedures' and ensures appropriate training for workers is in place.

- Risk assessment of machinery is performed when new machines are introduced into the process.
- Business partners should assess, design and maintain records of implemented measures to address the ergonomics risks.
- Control measures help to ensure that only authorized/authorised personnel can handle hazardous materials. Documented procedures for proper storing, handling, using, transporting and disposing of chemicals should be made available.
- Business partners should ensure that emergency exits as well as fire detection, alarm and suppression systems are in place and up to date. Fire and evacuation drills should be performed according to the local law.
- Fire safety systems need to be checked and maintained routinely.
- Personnel should be trained on the use of fire extinguishers.
- Workers should not have to fear negative consequences, if they leave the workplace or stop the operation because they felt it was unsafe.

Personal Protective Equipment (PPE):
- Required personal protective equipment should be provided by the supplier and made easily accessible if essential.
- Instructions should be clear and readily available to ensure understanding of the use of PPE for various scenarios when it may need to be applied, e.g., steel toe boots, unique foundry PPE, etc.

Emergency Preparedness:
- Emergency preparedness and response plans should outline the actions that need to be undertaken by personnel in case of an emergency, assign responsibilities and be readily accessible.
- The number of exit doors should be sufficient for the type of the facility and exit doors should remain open and unblocked during working hours.
- Evacuation plans should be posted on the site at regular intervals and emergency exit signs should be present and visible.
- Take shelter plans for events such as natural disasters and active shooters should be posted on the site at regular intervals.

Incident and Accident Management:
- Business partners should ensure that each local area/location has a procedure for identifying, evaluating and controlling/mitigating the environmental/physical factors in the workplace that may cause illness or damage to the health of staff.
- Regular and free-of-charge medical checks for workers handling hazardous materials are to be provided.
- Medical care should be provided on-site or in close proximity to the facilities; first aid supplies should also be made available.
- Health and safety related information such as emergency procedures and potential safety hazards should be made known to workers and should be posted within the facility in a language well understood by the workers.
- Business partners should ensure that all required permits, licenses, inspection and testing reports are in place, up to date and available as required by law.

Contractors:
- Responsibility for the contractor's health and safety is limited to the time spent by the contractor doing work activity on behalf of the company. It is expected that reasonable measures are taken to properly manage the health and safety of the contractor when they are performing contracted business activities.

Road Traffic Safety:
* The road safety footprint policy should describe the organization's approach to road traffic safety within their operations and their value chain and emphasize its commitment to work systematically to continuously improve. Through research and experience, we know the following measures make a significant impact on road safety: mandatory wearing of seatbelts (driver and passengers), zero tolerance for alcohol and use of mobile devices, procuring vehicles with high safety standards (both commercial vehicles and cars), rest/ break policies, overall working time and adherence to speed limits.

5. Responsible Supply Chain Management

Due Diligence:
* To support the efficiency of this Business Partner Code of Conduct, Business Partners must effectively communicate into their individual supply chains. This is prerequisite to address the expectations expressed in the Code.
* Business partners should assess sustainability risks in their supply chain, build a plan to manage the risks of non-compliance of their suppliers with the Code and, where possible, make best efforts to ensure the risks are mitigated.
* With an adequate and appropriate system, the monitoring and tracking of supplier performance in dealing with identified risks is being ensured, e.g. the country of origin for focus materials and emission reduction targets.
* OECD Due Diligence Guidance for Responsible Business Conduct outlines six practical actions that constitute the due diligence process:
  * Suppliers should embed responsible business conduct into the enterprise's policies and management systems.
  * Suppliers should identify and assess adverse impacts in operations, supply chains and business relationships.
  * Suppliers should cease, prevent or mitigate adverse impacts.
  * Suppliers should track implementation and results.
  * Suppliers should communicate how impacts are addressed.
  * Suppliers should provide for or cooperate in remediation where appropriate.
* Purchasing Practices should include at least the obligation to disclose information, supporting measures, responsibilities & cost sharing and rules of cooperation (see also chapter 6 Cooperation).

Responsible Sourcing of Raw materials and Minerals:
* Business partners should conduct due diligence to understand the source of the raw materials used in their products.
* Companies should develop a process to prioritize the materials/minerals they use to have a plan that shows how they intend to cover due diligence for all their impacted materials/minerals.
* Suppliers should not knowingly provide products containing raw materials that contribute to human rights abuses, bribery and ethics violations, or negatively impact the environment.
* Suppliers should use validated conflict free smelters and refiners for procurement of tin, tungsten, tantalum and gold contained in the products they produce.
* Even if the supplier is not directly affected by legislation, suppliers should support the buying company (customer) in meeting legislative requirements, i.e., Dodd Frank Act, and the completion of the CMRT.

- OECD recommends the following five-step framework for risk-based due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas:
  - Step 1: Establish strong company management systems. In particular, companies should adopt a company policy and clearly communicate it to suppliers, structure internal management to support supply chain due diligence, establish a system of controls and transparency over the mineral supply chain, strengthen company engagement with suppliers and establish a grievance mechanism as an early-warning risk-awareness system.
  - Step 2: Identify and assess risk in the supply chain.
  - Step 3: Design and implement a strategy to respond to identified risks. In particular, this includes reporting findings of the supply chain risk-assessment to senior management; devising and adopting a risk management plan; implementing the risk management plan and monitoring and tracking performance; undertaking additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.
  - Step 4: Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.
  - Step 5: Report on supply chain due diligence.
- Business partners make best efforts by sharing the results of risk analysis on raw materials and pre-products in the supply chain.
- Further information on Critical Raw Materials can be found e.g. Drive Sustainability Raw Material Outlook Material-Change_VF.pdf (*drivesustainability.org*) / RAW MATERIAL OUTLOOK PLATFORM

6. Cooperation and implementation

- In order to contribute to a collaborative approach beyond industry boundaries to realize the requirements of this business partner code of conduct, companies can actively communicate and share the results of their individual risk analysis with their business partners. Our approach fosters the harmonization and sharing of results, as long as the underlying guiding principles allow this standardization. Self-Assessment questionnaires that are based on the same or similar guiding principles, and that foster the idea of sharing results efficiently along the supply chains, are available and are particularly suitable to jointly address risk analysis and mitigation processes as one element within this process. Companies may seek out for further information e.g. with the SAQs from Drive Sustainability:
https://www.drivesustainability.org/
- Effective and efficient collaboration is targeting to realize improvements of human rights, working conditions and environmental protections along value chains, while only creating the minimum of documentation and administration efforts. Carrying out necessary audits shall be driven by a thorough risk analysis, allow the efficient sharing of results and foster industry-related risk overviews. Implementing the standards of e.g. industry-created audit schemes like RSCI support this effective approach. More information can be found at *https://www.rsci.online*

7. Annex

Definition of terms

- **Management System:** A management system is the way in which an organization manages the interrelated parts of its business in order to achieve its objectives. These objectives can relate to a number of different topics, including product or service quality, operational efficiency, environmental performance, health and safety in the workplace and many more.
  Source: *https://www.iso.org/management-system-standards.html*

- **Grievance mechanism:** A grievance mechanism is a formal, judicial/non-judicial complaint process that can be used by individuals, workers, communities and/or civil society organizations that are being negatively affected by certain business activities and operations.
  Source: *https://www.somo.nl/hrgm/what-are-grievance-mechanisms/*

- **Carbon neutrality:** Carbon neutrality, or having a net zero carbon footprint, refers to achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset.
  Source: *https://www.europarl.europa.eu/news/en/headlines/society/20190926STO62270/what-is-carbon-neutrality-and-how-can-it-be-achieved-by-2050*

- **Water footprint:** Water is measured and monitored in three ways, which in combination, make up a water footprint or water account. (1) The amount of water extracted or withdrawn from a water source – i.e., direct from a river, from a pipeline/reservoir – which is classed as water IN to a company. (2) The amount of water discharged from a company – to the sewer or river or treatment plant – which is called water OUT from a company (3) The difference between these two values is called CONSUMPTION – the amount of water it takes to make your product/embedded in your product and includes the impact of evaporation.
  Source: *https://waterfootprint.org/en/water-footprint/what-is-water-footprint/*
- **Circular economy/circularity:** Looking beyond the current take-make-waste extractive industrial model, a circular economy aims to redefine growth, focusing on positive society-wide benefits. It entails gradually decoupling economic activity from the consumption of finite resources and designing waste out of the system.
  Source: *https://www.ellenmacarthurfoundation.org/circular-economy/concept*

- **Occupational Health:** Occupational health aims to promote and maintain the physical, mental and social well-being of workers in all occupations. Its objectives are:
  - The maintenance and promotion of workers' health and working capacity.
  - The improvement of working conditions and the working environment to become conducive to safety and health.
  - The development of work organization and working cultures that should reflect essential value systems adopted by the undertaking concerned, and include effective managerial systems, personnel policy, principles for participation, and voluntary quality-related management practices to improve occupational safety and health
  Source: *https://www.who.int/health-topics/occupational-health*

International frameworks

- **UN Guiding Principles on Business and Human Rights:** In 2011, the United Nations Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights, a set of guidelines for States and suppliers to prevent, address and remedy human rights abuses committed in business operations.
Source: *https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf*

- **The International Bill of Human Rights:** The International Bill of Human Rights consists of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights and its two Optional Protocols.
Source: *https://www.ohchr.org/Documents/Publications/Compilation1.1en.pdf*

- **OECD Guidelines for Multinational Enterprises:** These guidelines are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non- binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.
Source: *http://mneguidelines.oecd.org/guidelines/*

- **OECD Due Diligence Guidance for Responsible Business Conduct:** This guidance supports enterprises in implementing the OECD Guidelines for Multinational Enterprises by providing explanations in simple language of the recommendations and associated provisions included in the guidelines. It also aims at creating a common understanding among governments and stakeholders of what due diligence for responsible business conduct entails.
Source: *https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm*

- **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas:** This guidance supports companies potentially sourcing minerals or metals from conflict-affected and high-risk areas in respecting human rights and avoiding contributing to conflict via their business' operations. The guidance applies to all minerals and geographical areas.
Source: *https://www.oecd.org/corporate/mne/mining.htm*

- **Rio Declaration:** The Rio Declaration on Environment and Development was produced in the United Nations Conference on Environment and Development, the Earth Summit, in Rio de Janeiro/Brazil in 1992. It is a non-binding declaration containing 27 principles related to environmental governance.
Source: *https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.151_26_Vol.I_Declaration.pdf*

- **Paris Agreement:** This agreement is a binding international treaty aimed at limiting global warming to well below 2°C compared to pre-industrial levels. Achieving this goal requires that countries reach their peak of greenhouse gas emissions as soon as possible, as well as work on a strategy for climate action – known as nationally determined contributions (NDCs).
Source: *https://unfccc.int/sites/default/files/english_paris_agreement.pdf*

- **International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work:** This declaration outlines four categories of rights to be respected and promoted by Member States. The categories are 1) freedom of association and the effective recognition of the right to collective bargaining, 2) the elimination offorced or compulsory labor, 3) the abolition of child labor, and 4) the elimination of discrimination in respect of employment and occupation.
  Source: *https://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm*

- **The Fundamental Conventions of the ILO:** The eight fundamental conventions are legally binding treaties that may be ratified by Member States, covering the four categories considered fundamental rights and included in the Declaration on Fundamental Principles and Rights at Work. The Conventions are:
  - *Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)*
  - *Right to Organize and Collective Bargaining Convention, 1949 (No. 98)*
  - *Forced Labor Convention, 1930 (No. 29) – (and its 2014 Protocol)*
  - *Abolition of Forced Labor Convention, 1957 (No. 105)*
  - *Minimum Age Convention, 1973 (No. 138)*
  - *Worst Forms of Child Labor Convention, 1999 (No. 182)*
  - *Equal Remuneration Convention, 1951 (No. 100)*
  - *Discrimination (Employment and Occupation) Convention, 1958 (No. 111)*

- **UN Convention on the Rights of the Child:** This is the most widely ratified international agreement. It contains 54 articles outlining the civil, political, economic, social and cultural rights that all children should enjoy.
  Source: *https://www.ohchr.org/en/professionalinterest/pages/crc.aspx#:~:text=Article%20 32&text=States%20Parties%20recognize%20the%20right,spiritu al%2C%20moral%20 or%20social%20development*

- **UN Guiding Principle 31:** UN Guiding Principle 31 is one of the principles encompassed in the UN Guiding Principle for Business and Human Rights. It outlines the characteristics an effective non-judicial grievance mechanism should have.
  Source: *http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinssHR_EN.pd f#page=38*

- **Free, Prior and Informed Consent of Indigenous Peoples (FPIC):** This refers to the right of indigenous people to give consent, withhold or even withdraw their consent at any stage to projects that may affect their livelihood and/or territories. This right is recognized by the United Nations Declaration on the Rights of Indigenous Peoples.
  Source: *https://www.ohchr.org/en/indigenous-peoples/consultation-and-free-prior-and- informed- consent-fpic*

European legislation

- **End-of-Life Vehicles (ELV) Directive:** This directive sets clear targets for the reuse, recycling and recovery of end-of- life vehicles and their components.
  Source: *https://ec.europa.eu/environment/topics/waste-and-recycling/end-life-vehicles_en*

- **Restriction of Hazardous Substances in Electrical and Electronic Equipment – RoHS Directive:** This directive restricts the use of certain hazardous substances (currently ten substances) in electrical and electronic equipment.
  Source: *https://ec.europa.eu/environment/topics/waste-and-recycling/rohs-directive_en*

- **European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH):** This regulation concerns the industry's responsibility to manage risks to human health and the environment linked to the production and use of chemical substances.
  Source: *https://ec.europa.eu/growth/sectors/chemicals/reach_en*

- **EU-Directive on Conflict Minerals:** This directive requires that the tin, tantalum, tungsten and gold (also referred to as "3TG") do not contribute to funding armed conflict or other illegal practices.
  Source: *https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/*

National legislation

- **US Foreign Corrupt Practices Act:** This act "makes it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business."
  Source: *https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act*

- **U.K. Bribery Act:** This act concerns criminal acts related to bribery and allows for prosecution of an individual or company with links to the United Kingdom, regardless of where the crime occurred.
  Source: *https://www.legislation.gov.uk/ukpga/2010/23/contents*

- **UK GDPR Regulation:** The UK General Data Protection Regulation is a UK law which came into effect on 01 January 2021. It sets out the key principles, rights and obligations for most processing of personal data in the UK, except for law enforcement and intelligence agencies.
  Source: *https://www.legislation.gov.uk/eur/2016/679/contents*

- **UK Modern Slavery Act:** Companies with an annual global turnover of £36 million or more are subject to the act and its Transparency in Supply Chain (TISC) clause. To comply, companies must disclose a ‚slavery and human trafficking statement,' which takes the form of a report describing the steps taken to ensure that there is no slavery and human trafficking along their supply chain.
  Source: *https://www.legislation.gov.uk/ukpga/2015/30/contents/enacted*

- **German Supply Chain Due Diligence Act:** This act introduces obligations for companies based in Germany to conduct due diligence in their supply chains with regard to respecting internationally recognized human rights and certain environmental standards.
  Source: *https://www.bmas.de/EN/Services/Press/recent-publications/2021/act-on-corporate-due-diligence-in-supply-chains.html*

- **Toxic Substances Control Act – TSCA:** This act regulates the introduction of new or already existing chemicals in the US market. The US Environmental Protection Agency (EPA) is responsible for chemicals management under the act.
  Source: *https://www.epa.gov/laws-regulations/summary-toxic-substances-control-act*

- **The Dodd-Frank Act:** This act is a United States federal law that places regulation of the financial industry in the hands of the government. The legislation, which was enacted in July 2010, created financial regulatory processes to limit risk by enforcing transparency and accountability.
  Source: *https://searchcompliance.techtarget.com/definition/Dodd-Frank-Act*

Management systems and standards

- **ISO 26000 – Guidance Social Responsibility**
  Source: *https://www.iso.org/iso-26000-social-responsibility.html*

- **ISO 50001 – Energy Management**
  Source: *https://www.iso.org/iso-50001-energy-management.html*

- **ISO 14001 – Environmental management systems**
  Source: *https://www.iso.org/standard/60857.html*

- **ISO 37301 – Compliance management systems**
  Source: *https://www.iso.org/standard/75080.html*

- **ISO 45001 – Occupational health and safety**
  Source: *https://www.iso.org/iso-45001-occupational-health-and-safety.html*

- **SA8000 – Social Management System**
  Source: *https://sa-intl.org/programs/sa8000/*

- **Guidelines on occupational safety and health management systems (ILO-OSH 2001):** These guidelines were developed by the ILO to provide practical support to companies and competent institutions in improving their occupational safety and health (OSH) performance.
  Source: *https://www.ilo.org/global/topics/safety-and-health-at-work/normative-instruments/ WCMS_107727/lang--en/index.htm*

- **Global Automotive Declarable Substance List (GADSL):** GADSL is a list of substances used in the automotive industry that are restricted in different areas of the world. The GASG's purpose is to facilitate communication and exchange of information regarding the use of certain substances in automotive products throughout the supply chain. It covers America, Europe, Africa, Middle East, Asia and Pacific regions.
  Source: *https://www.gadsl.org/*

- **Globally Harmonized System of Classification and Labelling of Chemicals (GHS):**
  This system "addresses classification of chemicals by types of hazard and proposes harmonized hazard communication elements, including labels and safety data sheets. It aims at ensuring that information on physical hazards and toxicity from chemicals be available in order to enhance the protection of human health and the environment during the handling, transport and use of these chemicals."
  Source: *https://unece.org/about-ghs*

- **IMDS:** The International Material Data System is a global data repository that contains information on materials used by the automotive industry.
  Source: *https://www.mdsystem.com/imdsnt/startpage/index.jsp*

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About VDA

The German Association of the Automotive Industry (VDA) consolidates around 620 manufacturers and suppliers under one roof. The members develop and produce cars and trucks, software, trailers, superstructures, buses, parts and accessories as well as new mobility offers.

We represent the interests of the automotive industry and stand for modern, future-oriented multimodal mobil-ity on the way to climate neutrality. The VDA represents the interests of its members in politics, the media, and social groups. We work for electric mobility, climate-neutral drives, the implementation of climate targets, securing raw materials, digitization and networking as well as German engineering.

We are committed to a competitive business and innovation location. Our industry ensures prosperity in Germany: More than 780,000 people are directly em-ployed in the German automoti-ve industry.

About CLEPA

CLEPA, the European Association of Automotive Suppliers, represents over 3,000 companies, from multi-nationals to SMEs, supplying state-of-the-art components and innovative technology for safe, smart and sustainable mobility, investing over €30 billion yearly in research and development. Automotive suppliers in Europe directly employ 1.7 million people in the EU.

Founded in 1959 and based in Brussels, CLEPA is recognised as the natural discussion partner by international organisations and fellow associations.

Our vision is for the European automotive suppliers to be the leading providers of highly efficient and sustainable mobility worldwide.

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CLEPA European Association of Automotive Suppliers