



# AUTOMOTIVE INDUSTRY GUIDING PRINCIPLES TO ENHANCE SUSTAINABILITY PERFORMANCE IN THE SUPPLY CHAIN



DAIMLER TRUCK



**HONDA**



Mercedes-Benz



**SCANIA**

**TOYOTA**



**VOLKSWAGEN**  
AKTIENGESELLSCHAFT

**V O L V O**



## Common Automotive Expectations

We endeavor/endeavour to achieve excellence, innovation, transparency and performance in a sustainable manner.

People and the environment are the automotive industry's most important resources. We strongly feel that companies should fulfil their social responsibilities and obligations to realize a healthy and harmonious development between enterprises and employees, enterprises and society, and enterprises and the environment. As part of this, we are working together to attain the highest standards in business integrity and the social and environmental performance of our supply chain.

The automotive industry supply chain has a high degree of complexity; therefore, we believe in the benefits of a common approach and message where possible. These Automotive Sustainability Guiding Principles ("Guiding Principles") contain certain expectations towards business ethics, working conditions, human rights, health and safety, environmental leadership and supply chain due diligence for suppliers at all tiers. We expect suppliers to uphold these standards and cascade them throughout their supply chain.

The Guiding Principles are based on fundamental principles of social, environmental and governance responsibility that are consistent with applicable laws and international standards, which may include the UN Guiding Principles on Business and Human Rights, ILO Conventions, OECD Guidelines for Multinational Enterprises, the Rio Declaration on Environment and Development, as well as the Paris Agreement.

The Guiding Principles define common expectations of the signatories for their suppliers. To fulfil the Guiding Principles, automotive suppliers should implement a management system/s – defined as a combination of policies, processes, functions, tools and internal controls – that help an organization/organisation to control its operations, reach objectives and ensure continuous improvement. The recommendations concerning the practical application of the Guiding Principles are outlined in the Practical Guidance.

Suppliers must always comply with applicable laws and regulations and aim to apply best industry practices. In situations when the Guiding Principles go further than applicable laws and regulations, the Guiding Principles apply only to the extent permissible under applicable mandatory laws and regulations. Individual manufacturers may have their own standards, codes and policies in addition to the Guiding Principles.



# 1. Business Ethics

Suppliers should uphold the highest standards of integrity and operate honestly and equitably throughout the supply chain.

Suppliers should implement a management system for business ethics that includes the following:

- **Anti-Corruption and Anti-Money Laundering:** Suppliers should not participate in or endorse any corrupt practices in whatever form, including offering or accepting bribes, excessive gifts or hospitality or facilitation payments. Suppliers should not facilitate or support money laundering. Suppliers should report any suspicious transactions and be alert for signs of money laundering.
- **Data Protection and Data Security:** Suppliers should respect the privacy and civil liberties in respect of the collection, retention, use or dissemination, as well as any other processing of personal data.
- **Financial Responsibility/Accurate Records:** Suppliers should perform their business dealings in a transparent manner and accurately reflect them in the companies' financial reports and filings. Suppliers should confirm an adequate financial reporting system control is in place.
- **Disclosure of Information:** Suppliers should disclose financial and non-financial information in accordance with applicable regulations and prevailing industry practices.
- **Conflicts of Interest:** Suppliers should ensure that their employees avoid and disclose situations where their financial or other interests conflict with job responsibilities, or situations giving any appearance of impropriety.
- **Counterfeit Parts:** Suppliers should minimize/minimise the risk of introducing counterfeit and/or diverted parts and materials into deliverable products and adhere to relevant technical regulations in the product design process.
- **Intellectual Property:** Suppliers should respect valid intellectual property rights.
- **Export Controls, Trade, and Economic Sanctions:** Suppliers should comply with applicable restrictions on the export or re-export of goods, software, services and technology, as well as with applicable restrictions on trade involving certain countries, regions, companies or entities and individuals.
- **Grievance Mechanism:** Suppliers should establish an effective grievance mechanism in line with UN Guiding Principle 31 that allows concerns related to business ethics, human rights, or any other topic to be raised anonymously, confidentially and without retaliation.
- **Remediation:** Suppliers should provide for or cooperate in remediation through legitimate processes when their business activities cause or contribute to adverse environmental or social impacts.
- **Non-retaliation:** Suppliers should avoid any form of threats, intimidation, and physical or legal attacks against stakeholders, including those exercising their legal rights to freedom of expression, association, peaceful assembly and protest against their business activities.



## 2. Environment

Suppliers should develop, implement, and support a proactive approach to environmental responsibility through environmental protection practices, conserving natural resources and reducing overall environmental footprint of production, goods and services throughout their life cycle.

Suppliers should implement an environmental management system that includes the following:

- **Carbon Neutrality:** Suppliers should strive to set science-based and time-bound emission reduction goals and renewable energy objectives that are aligned with the Paris Agreement, and put in place measures that drive forward the decarbonisation of the entire value chain.
- **Water Quality, Consumption & Management:** Suppliers should minimize/minimise water consumption, effectively reuse and recycle water with responsible treatment of wastewater discharges and prevent potential impacts from flooding as a consequence of rainwater run-off, as required by and in accordance with applicable law.
- **Air Quality:** Suppliers should routinely monitor and disclose, appropriately control, minimize/minimise, and to the extent possible, eliminate emissions contributing to air pollution, as required by and in accordance with applicable law. Suppliers should assess cumulative impacts of pollution sources at their facilities and mitigate their pollution levels accordingly.
- **Responsible Chemical Management:** Suppliers should identify, minimize/minimise or eliminate the use of restricted substances in manufacturing processes and finished products to ensure regulatory compliance. Companies should also be aware of any use of restricted substances in processes and finished products, and actively investigate suitable substitutes to maintain product and environmental stewardship.
- **Circularity:** Suppliers should promote closed loop systems by supporting the use of sustainable, renewable natural resources while reducing waste and increasing reuse and recycling.
- **Animal Welfare:** Suppliers should respect the five animal freedoms formalized by the World Organization for Animal Health (OIE) concerning animal welfare. No animal should be raised and killed for the single purpose of being used in an automotive product.
- **Biodiversity, Land Use and Deforestation:** Suppliers should protect ecosystems, especially key biodiversity areas, impacted by their operations, and avoid illegal deforestation in accordance with international biodiversity regulations, including the IUCN Resolutions and Recommendations on Biodiversity.
- **Soil Quality:** Where appropriate, suppliers should monitor and control their impact on soil quality to prevent soil erosion, nutrient degradation, subsidence and contamination
- **Noise Emissions:** Where appropriate, suppliers should monitor and control the levels of industrial noise to avoid noise pollution.



## 3. Human Rights and Working Conditions

Suppliers must respect the human rights of workers, local communities and other relevant stakeholders, and prevent and address adverse human rights impacts linked to their business activities, in accordance with the UN Guiding Principles on Business and Human Rights.

Suppliers should implement a management system for human rights and working conditions that includes the following:

- **Child Labor/Labour and Young Workers:** Suppliers must observe the minimum employment age in their business activities and throughout their supply chain in accordance with the ILO Minimum Age Convention and shall ensure that child labor/labour is not tolerated in any form.
- **Wages and Benefits:** Suppliers must provide their workers with remuneration in accordance with applicable regulations and prevailing industry practices; such remuneration should be adequate to cover basic needs and enable a decent standard of living for the workers and their families, which includes respecting minimum wages, overtime compensation, medical leave and government-mandated benefits.
- **Working Hours:** Suppliers must comply with local laws and collective bargaining agreements (where applicable) regarding working hours, or should comply with the ILO Standards on Working Time\* in the absence of relevant local regulations.
- **Modern Slavery:** Suppliers must prohibit any forms of forced, bonded or compulsory labor/labour, including human trafficking.
- **Ethical Recruiting:** Suppliers must not mislead or defraud potential workers about the nature of the work, ask workers to pay recruitment fees, and/or confiscate, destroy, conceal, and/or deny access to worker passports and other government-issued identity documents. Workers must receive a written contract or employment notification at the start of their recruitment in a language well understood by them, stating in a truthful, clear manner their rights and responsibilities.
- **Freedom of Association and Collective Bargaining:** Suppliers should allow workers to communicate openly with management regarding working conditions and management practices without fear of reprisal, intimidation or harassment. Companies should respect worker rights to associate freely, to join or not join labor/labour unions, bargain collectively, seek representation and join workers' councils.
- **Non-Discrimination and Harassment:** Suppliers should not tolerate any form of discrimination or harassment in respect of employment and occupation and should provide equal employment opportunities regardless of worker or applicant characteristics such as age, gender, sexual orientation, gender identity, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union association, covered veteran status, genetic information or marital status.

\*To the extent a company in the United States does have independent working standards that do not reference ILO standards, such company may comply with ILO in the absence of local laws and collective bargaining agreements.



## 3. Human Rights and Working Conditions

- **Women's Rights:** Suppliers should provide equal opportunity in employment and commit to equal pay for equal work.
- **Diversity, Equity, and Inclusion:** Suppliers should develop and promote inclusive cultures where diversity is valued and celebrated, and everyone is able to contribute fully and reach their full potential. Suppliers should encourage diversity in all levels of their workforce and leadership, including boards of directors.
- **Rights of Minorities and Indigenous Peoples:** Suppliers should respect the rights of local communities to decent living conditions; education, employment, social activities; and the right to Free, Prior, and informed Consent (FPIC) to developments that affect them and the lands on which they live, with particular consideration for the presence of vulnerable groups.
- **Land Rights and Forced Eviction:** Suppliers should avoid forced eviction and the deprivation of land, forests and waters in the acquisition, development or other use of land, forests and waters.
- **Private or Public Security Forces:** Suppliers should not commission or use private or public security forces to protect the business project if, due to a lack of training or control on the part of the company, the deployment of the security forces may lead to violations of human rights.



## 4. Health and Safety

Suppliers should provide workers a safe and healthy working environment that meets or exceeds applicable local laws and industry standards for safety and occupational health.

Suppliers should implement a management system for a safe and healthy working environment that includes the following:

- **Workspace:** Suppliers should provide a working environment that meets or exceeds local and national safety, occupational health, and fire safety legislation, in addition to encouraging remote workers to understand and apply best practices.
- **Personal Protective Equipment:** Where applicable, suppliers should provide their workforce with necessary Personal Protective Equipment (PPE) and ensure they understand how and when it needs to be applied.
- **Emergency Preparedness:** Suppliers should reduce the risk of occupational hazards and develop an emergency preparedness and response plan.
- **Incident and Accident Management:** Suppliers should implement hazard and risk analysis systems to minimize/minimise the potential for incidents or accidents at the workplace. An investigation system should drive to determine the root cause, and a corrective action system should ensure all permanent measures have been taken to minimize/minimise the chance of a recurrence.
- **Contractors:** Suppliers should properly manage the health and safety of contractors as part of a company's extended supply chain. Suppliers should coordinate their procurement processes to identify hazards and to assess and control risks arising from the contractor's business activity with the supplier, and the company's business activity that impacts the contractors' workers.



## 5. Responsible Supply Chain Management

Suppliers should select business partners that comply with the practices of responsible business conduct and cascade the Guiding Principles along the supply chain.

Suppliers should implement a supplier management system that includes the following:

- **Due Diligence:** Suppliers should conduct due diligence on their direct suppliers and subcontractors in accordance with the OECD Due Diligence Guidance for Responsible Business Conduct, promote transparency and traceability and use their best efforts to implement the ESG standards further along the supply chain, and cascade the Guiding Principles further along the supply chain.
- **Responsible Sourcing of Raw Materials and Minerals:** Suppliers should responsibly source raw materials and minerals used in their products by developing a management system that promotes supply chain traceability and transparency, and by implementing due diligence measures in accordance with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.