# **Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain 4.0 – DRAFT v.1**

|  |  |  |
| --- | --- | --- |
| Text in red | = Changes and additions |  |
| Text ~~in red strikethrough~~ | = Deleted from previous version |

|  |  |
| --- | --- |
| **OLD VERSION**  | **PROPOSED NEW VERSION**  |
| We endeavor/endeavour to achieve excellence, innovation and performance in a sustainable manner. People and the environment are the automotive industry’s most important resources. For this reason, we are working together to attain the highest standard in business integrity and in 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. The following guidelines clearly describe our minimum expectations towards business ethics, working conditions, human rights, and environmental leadership; for our suppliers as well as their subcontractors and suppliers. We expect that suppliers will uphold these standards and cascade them down their supply chain.These guidelines are based on fundamental principles of social and environmental responsibility that are compliant with local law, consistent with international expectations and are supported by the sponsoring Auto Manufacturers. Individual manufacturers may have their own standards, codes and policies that supersede these guidelines. | We endeavor/endeavour to achieve excellence, innovation and performance in a sustainable manner. People and the environment are the automotive industry’s most important resources. For this reason, we are working together to attain the highest standard in business integrity and in 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. The following guidelines clearly describe our minimum expectations towards business ethics, working conditions, human rights, health and safety, environmental leadership and supply chain due diligence; for our suppliers as well as their direct suppliers and subcontractors. We expect that suppliers will uphold these or the higher standards and cascade them down their supply chain.These guidelines are based on fundamental principles of social, environmental and governance responsibility that are consistent with applicable laws and international standards, such as UN Guiding Principles on Business and Human Rights, ILO Conventions, OECD Guidance, Rio Declaration, Paris Agreement and others. Individual manufacturers may have their own standards, codes and policies that supersede these guidelines.The scope of the Guiding Principles is to define common expectations of sponsoring Auto Manufacturers towards automotive supply chain. The recommendations concerning the practical application of the Guiding principles are further outlined in the Practical Guidance.  |
| **Business Ethics** | **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. | 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. Companies should implement a management system for business ethics. |
| **Responsible Sourcing of Materials**: Companies are expected to responsibly source raw materials used in their products. | **~~Responsible Sourcing of Materials~~**~~: Companies are expected to responsibly source raw materials used in their products.[[1]](#footnote-1)~~ |
| **Anti-Corruption**: Companies are expected to work against corruption in all its forms, including extortion and bribery. | **Anti-Corruption**: Companies are expected to work against corruption in all its forms, including extortion and bribery, and to comply with relevant anti-corruption laws and regulations. |
| **Privacy**: Companies are expected to put in place appropriate measures to respect privacy, to protect personal data against loss and unauthorized/unauthorised access or use, and to comply with relevant privacy and information security laws and regulations. | **Privacy**: Companies are expected to put in place appropriate measures to respect privacy, to protect personal data against loss and unauthorized/unauthorised access or use, and to comply with relevant privacy and information security laws and regulations. |
| **Financial Responsibility/Accurate Records**: All business dealings are expected to be transparently performed and accurately reflected on the company’s financial reports and filings. | **Financial Responsibility/Accurate Records**: All business dealings are expected to be transparently performed and accurately reflected on the company’s financial reports and filings. |
| **Disclosure of Information**: Companies are expected to disclose financial and non-financial information in accordance with applicable regulations and prevailing industry practices. | **Disclosure of Information**: Companies are expected to timely disclose financial and non-financial information in accordance with applicable regulations and prevailing industry practices. |
| **Fair Competition/Anti-Trust**: Companies are expected to uphold standards of fair business and conduct business in accordance with all applicable anti-trust or anti-competition laws and regulations. | **Fair Competition/Anti-Trust**: Companies are expected to uphold standards and internal controls of fair business and conduct business in accordance with all applicable anti-trust or anti-competition laws and regulations. |
| **Conflicts of Interest**: Companies are expected to conduct business in a manner that avoids any appearance of impropriety. | **Conflicts of Interest**: Companies are expected to conduct business in a manner that avoids any appearance of impropriety. |
| **Counterfeit Parts**: Companies are expected to minimize the risk of introducing counterfeit and/or diverted parts and materials into deliverable products. | **Counterfeit Parts/Product Integrity**: Companies are expected to minimize the risk of introducing counterfeit and/or diverted parts and materials into deliverable products and adhere to relevant technical regulations in the product creation process. |
| **Intellectual Property**: Companies are expected to respect valid intellectual property rights and use commercially reasonable practices to protect the transfer of confidential technology and know-how. | **Intellectual Property**: Companies are expected to respect valid intellectual property rights and use commercially reasonable practices to protect the transfer of confidential technology and know-how. |
| **Export Controls and Economic Sanctions**: Companies are expected to 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. | **Export Controls and Economic Sanctions**: Companies are expected to 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. |
| **Protection of Identity and Non-Retaliation**: Companies are expected to establish processes that allow concerns to be raised anonymously with confidentiality and without retaliation. | **~~Protection of Identity and Non-Retaliation~~**: **Whistleblowing and Protection against Retaliation:** Companies are expected to establish processes that include a grievance mechanism allowing concerns related to business ethics, human rights, or any other topic to be raised anonymously with confidentiality and without retaliation. |
|      | **Remediation**: Companies are expected to provide a fair process for evaluating reports of potential adverse impacts and working with stakeholders to determine corrective actions and remediation. |
| **Environment** | **Environment** |
| Companies are expected to support a proactive approach to environmental responsibility by protecting the environment, conserving natural resources and reducing the environmental footprint of their production, products and services throughout their life-cycle. | Companies are expected to develop, implement and support a proactive approach to environmental responsibility through environmental protection practices, conserving natural resources and reducing overall environmental footprint of production, products and services throughout their life-cycle that meet or exceed regulation compliance expectations. Companies should implement an environmental management system. |
| A comprehensive approach includes but is not limited to: | A comprehensive approach includes but is not limited to: |
| **Energy Consumption & Greenhouse Gas Emissions**: Companies are expected to implement a comprehensive energy reduction strategy and management program while increasing use of renewable energy. | **Carbon Neutrality:** Companies are expected to set emission reduction goals that are aligned to the Paris Agreement and put in place measures that drive forward the decarbonisation along the entire value chain.  |
| **Water Quality & Consumption**: Companies are expected to effectively reduce, reuse, and recycle water with responsible treatment of wastewater discharges to protect the environment and improve overall water quality. | **Water Quality & Consumption**: Companies are expected to minimize/minimise water consumption with prioritisation for water stressed regions and to effectively reduce, reuse, and recycle water with responsible treatment of wastewater discharges to protect the environment and improve overall water quality. |
| **Air Quality**: Companies are expected to routinely monitor, appropriately control, minimize/minimise, and to the extent possible, eliminate emissions contributing to local air pollution. | **Air Quality**: Companies are expected to routinely monitor, appropriately control, minimize/minimise, and to the extent possible, eliminate emissions contributing to local air pollution. |
| **Natural Resources Management and Waste Reduction**: Companies are expected to encourage and support the use of sustainable, renewable natural resources while reducing waste and increasing reuse and recycling. | **~~Natural Resources Management and Waste Reduction~~**~~:~~ **Circularity**: Companies are expected to promote closed loop systems by supporting the use of sustainable, renewable natural resources while reducing waste and increasing reuse and recycling. |
| **Responsible Chemical Management**: Companies are expected to 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 reportable substances in processes and finished products, and actively investigate suitable substitutes. | **Responsible Chemical Management**: Companies are expected to identify, minimize/minimise or eliminate the use of restricted substances in manufacturing processes and finished products to ensure regulatory compliance in accordance to GADSL, REACH, RoHS and manufacturer standards. Companies should also be aware of any use of reportable substances in processes and finished products, and actively investigate suitable substitutes to maintain product and environmental stewardship |
|        | **Animal Welfare and Biodiversity:** Companies should support and promote ethical treatment of animals and protect biodiversity in the areas directly impacted by company operations. |
|       | **Land Use and Deforestation:** Companies should strive towards eliminating deforestation from their supply chains and support the protection of natural forests and other ecosystems impacted by company operations. |
| **Human Rights and Working Conditions** | **Human Rights and Working Conditions** |
| Companies should respect the human rights of workers, and treat all people with dignity as recognized by the international community.  | Companies should respect the human rights of workers and local and indigenous communities, and prevent and address adverse human rights impacts linked to their business activity, in accordance with the UN Guiding Principles on Business and Human Rights. Companies should implement a management system for human rights and working conditions. |
| **Child Labor/Labour and Young Workers**: Companies must ensure that child labor is not tolerated in any form. The age of employment for young workers must meet or exceed company guidelines, legal regulations and local labor laws. | **Child Labor/Labour and Young Workers**: Companies must ensure that child labor is not tolerated in any form. The age of employment for young workers must meet or exceed company guidelines, legal regulations and local labor laws. |
| **Wages and Benefits**: Companies should provide compensation and benefits that comply with applicable local laws, including those relating to minimum wages, overtime compensation, and legally mandated benefits. | **~~Wages and Benefits~~**: **Living Wage**: Companies should provide their employees with a living wage that is adequate to cover basic needs and enable a decent standard of living, and is compliant with local laws and collective bargaining agreements (where applicable), including those related to overtime compensation, sick days, and legally mandated benefits. |
| **Working Hours**: Companies should comply with local law regarding working hours, including overtime. | **Working Hours**: Companies should comply with local laws and collective bargaining agreements (where applicable) regarding working hours, including overtime. |
| **Forced Labor/Labour**: Companies must prohibit any forms of forced, (bonded) or compulsory labor/labour, including human trafficking. | **~~Forced Labor/Labour~~ Modern Slavery**: Companies must prohibit any forms of forced, (bonded) or compulsory ~~labor/~~labour, including human trafficking. |
|   | **Ethical Recruiting**: Companies must not miislead or defraud potential workers about the nature of the work, ask employees to pay recruitment fees, and/or confiscate, destroy, conceal, and/or deny access to employee passports and other government-issued identity documents. |
| **Freedom of Association**: Companies should allow workers to communicate openly with management regarding working conditions and management practices without fear of reprisal, intimidation or harassment. Companies should respect employee rights to associate freely, to join or not join labor/labour unions, bargain collectively, seek representation, and join workers’ councils in accordance with local law.  | **Freedom of Association and Collective Bargaining**: Companies should allow workers to communicate openly with management regarding working conditions and management practices without fear of reprisal, intimidation or harassment. Companies should respect employee rights to associate freely, to join or not join labor/labour unions, bargain collectively, seek representation, and join workers’ councils in accordance with local law.  |
| **Health & Safety**: Companies should provide workers a safe and healthy working environment that meets or exceeds applicable local laws and industry standards for safety and occupational health. | **~~Health & Safety~~**~~: Companies should provide workers a safe and healthy working environment that meets or exceeds applicable local laws and industry standards for safety and occupational health.[[2]](#footnote-2)~~ |
| **Harassment**: Companies should provide a work place free of harassment against workers in any form. | **~~Harassment~~**~~: Companies should provide a work place free of harassment against workers in any form and treat all employees with dignity and respect.~~ |
| **Non-Discrimination**: Companies should not tolerate any form of discrimination in respect of employment and occupation and should provide equal employment opportunities regardless of worker or applicant characteristics such as race, color/colour, 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. | **Non-Discrimination and harassment**: Companies 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 race, ~~color/colour~~, 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. |
|        | **Women's Rights:** Companies should provide equal opportunity in employment, strive to ensure equal pay for equal work, and comply with applicable local laws regulating maternity protection and women's occupational health and safety.  |
| **Diversity and Inclusion:** Companies should develop and promote inclusive cultures where diversity is valued, celebrated, and everyone is able to contribute fully, and reach their full potential, ensuring diversity in all levels of their workforce and leadership, including boards of directors. |
| **Rights of Indigenous People:** Companies should support the rights of local communities to decent living conditions; land tenure; Free, Prior, and Informed Consent (FPIC); education and employment; and social activities. |
|    | **Health & Safety** |
|                                                              | Companies should provide workers a safe and healthy working environment that meets or exceeds applicable local laws and industry standards for safety and occupational health. |
| **Personal Protective Equipment:** Companies should provide their personnel with necessary Personal Protective Equipment (PPE), ensure contractors have sufficient PPE, and ensure the workers understand how and when it needs to be applied. |
| **Machine Safety:** Companies should ensure the machinery is equipped with all the necessary protective devices, and the personnel, including contractors, is trained on how to operate it in a safe manner. |
| **Emergency Preparedness:** Companies should eliminate or at least minimise occupational hazards and develop an emergency preparedness and response plan. |
| **Incident and Accident Management:** Companies should implement sufficient actions in order to minimise the impact of and address potential incidents and accidents at workplace. |
| **Workplace Ergonomics:** Companies should ensure that on-site workstations are designed to prevent any short- and long-term negative impacts on the employee's physical health, and encourage remote workers to understand and apply best practices. |
| **Handling of Chemicals:** Companies should store and handle chemicals and hazardous waste in a safe manner. |
| **Fire Protection:** Companies should apply appropriate fire safety measures. |
| **Supply Chain** |
| Companies are expected to select business partners that support the practices of responsible business conduct and to cascade the Automotive Industry Guiding Principles along the supply chain. Companies should implement a supplier management system.  |
| **Responsible sourcing of raw materials and minerals:** Companies should responsibly source raw materials and minerals used in their products by developing the management system that enables 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.  |
| **Due Diligence:** Companies 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 beyond raw materials, and cascade the Automotive Industry Guiding Principles further along the supply chain.  |
| **Supplier Management:** Companies are expected to partner with their suppliers to build capacity, promote access to training, encourage participation in multi-stakeholder initiatives, and ensure disclosure and reporting. |
| For further details please refer to the Global Automotive Sustainability Practical Guidance located atAIAG: http://aiag.org/corporate-responsibility and Drive Sustainability: www.drivesustainability.org | For further details please refer to the Global Automotive Sustainability Practical Guidance located atAIAG: http://aiag.org/corporate-responsibility and Drive Sustainability: www.drivesustainability.org |

1. The topic was moved to the “Supply Chain” section (pp. 5-6) [↑](#footnote-ref-1)
2. A separate section for this topic (“Health and Safety”) was created (see pp. 5) [↑](#footnote-ref-2)