SUSTAINABILITY ASSESSMENT QUESTIONNAIRE (SAQ) FOCUS AREAS

Drive Sustainability has developed SAQ Focus Areas for the automotive suppliers with the aim to achieve the following targets:

- Introduce **key supplier performance indicators** on the environmental, social and governance (ESG) topics that are prioritised by the OEM members of the Automotive Partnership;

- Complement **Drive Sustainability Guiding Principles** and Practical Guidance with operational recommendations on how to effectively meet the fundamental OEM expectations;

- Help suppliers **improve their SAQ score** by providing the necessary information on the critical indicators that make up 50% of the SAQ score

With this document Drive Sustainability encourages the automotive suppliers to adopt the following two practices:

1. Implement a **Code of Conduct** for the employees and external partners (suppliers);

2. Build an **Environmental and Social Management system (ESMS)** to effectively manage the impact from the company operations on working conditions and human rights, occupational health & safety and environment.
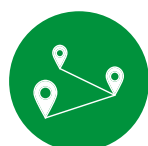
CODE OF CONDUCT

A **Code of Conduct** is a document outlining rules, norms and responsibilities for the company employees and/or its business partners, such as suppliers. The primary goal of the Code of Conduct is to set out the company values and give a clear guidance on acceptable behaviours. A company can have two separate Codes of Conduct: one applied internally to **employees**, and another – externally to **suppliers**, or one single document covering both stakeholder groups.

Practical recommendations to design and implement the Code of Conduct

01. Map the risks

You need to know what are the laws and regulations that guide the behaviour in your industry and region to make sure the Code covers all the potential risks. For the development of the Supplier Code of Conduct, it is a good practice to start with supply chain risk assessment and mapping to have a clear picture on where your products come from and what are the most problematic areas your suppliers are dealing with. Examples of the areas that Drive Sustainability recommends to have covered are illustrated in the table below.

Area	Topic		Sources to reference
Human rights and working conditions	• Child labour and young workers • Wages and benefits • Working hours • Modern slavery (i.e. slavery, servitude and forced or compulsory labour and human trafficking) • Ethical recruiting • Freedom of association and collective bargaining	• Non-discrimination and harassment • Women's Rights • Diversity, Equity, and Inclusion • Rights of Minorities and Indigenous Peoples • Land, Forest and Water Rights and Forced Eviction • Use of Private or Public Security Forces	• Universal Declaration of Human Rights • EU Charter of Fundamental Rights • International Labour Organisation (ILO) • Global Automotive Sustainability Guiding Principles • The National Archives UK • Ethical Trading Initiative, based on ILO conventions • Declaration on Fundamental Principles and Rights at Work • Convention on the Elimination of All Forms of Discrimination against Women
Health and Safety	• Personal protective equipment • Machine safety • Emergency preparedness • Incident and accident management	• Workplace ergonomics • Handling of chemical and/or biological substances • Fire protection	• ILO Labour Standards on Occupational Safety and Health
Business Ethics	• Anti-Corruption and Anti-Money Laundering • Data Protection and Data Security • Financial responsibility (Accurate Records) • Disclosure of Information • Fair competition and anti-trust	• Conflicts of interest • Counterfeit parts • Intellectual property • Export controls and economic sanctions • Whistleblowing and protection against retaliation	• UN Global Compact and Transparency International • Global Automotive Sustainability Guiding Principles • European Commission • Organisation for Economic Co-operation and Development (OECD) • World Intellectual Property Organisation
Environment	• GHG emissions • Energy efficiency • Renewable energy • Decarbonisation • Water quality, consumption & management • Air quality • Responsible chemical management	• Sustainable resources management • Waste reduction • Reuse and recycling • Animal welfare • Biodiversity, land use and deforestation • Soil quality • Noise emissions	• EU Commission (Directorate-General for Environment) • Global Automotive Sustainability Guiding Principles

02. Appoint a cross-functional team

A Code of Conduct should be aligned with all the company policies and procedures, thus it is very important to engage various business units in the development and revision. For example, you may consult with representatives from Legal, Compliance, Purchasing, HR, Risk Management and Communications to ensure consistency.

03. Make the code user-friendly

For the Code of Conduct to be effective, it needs to be understood by the audience it is intended for. The Code of Conduct should be clear, transparent and written in simple language, avoiding overly legalistic and technical terminology. Make sure to translate the Employee Code of Conduct for local subsidiaries, where English is not the principal language.

04. Get feedback from stakeholders

To effectively integrate the Code of Conduct in the organisation, stakeholders need be consulted in the design and revision. This not only will strengthen the overall scope, but also will improve compliance, as employees and suppliers are more likely to accept and follow the standards they contributed to.

05. Communicate effectively

The Code of Conduct is an important message the organisation sends to the world stating its values, principles, and commitments; therefore a company needs to ensure that it reaches all the current and potential stakeholders. Lay out the specifics of your Code of Conduct in the designated supplier and employee trainings and provide the information on the company website, Intranet and supplier portal.

06. Regularly review and update

You need to have a procedure in place to regularly review and update the Code of Conduct.

07. Include in the contractual framework

To guarantee compliance, consider including the reference to the Code of Conduct in the employee & supplier contracts.

Key recommendations for an effective supplier Code of Conduct

01 Benchmark the industry

Many industry initiatives developed a joint supplier Code of Conduct that can be used as a template or a foundation for your own protocol. Examples include Electronics Industry Citizenship Coalition or Ethical Trading. In addition, your peer companies may already have created a Code of Conduct, which you can use as a guidance.

02 Integrate the Code of Conduct performance into procurement decisions

If good supplier performance on the main areas outlined in the Code of Conduct influences your procurement decisions, suppliers have a stronger incentive to comply. In addition, you can create supplier award programs to recognise suppliers with the best performance on the major topics. There are different tools you can use to measure supplier performance. Drive Sustainability partners use a common sustainability assessment tool, the SAQ, which is open to the public and can be used by any company in the automotive value chain. The SAQ is enabled on the digital platform, Supplier Assurance, operated by NQC Ltd.

03 Cascade the expectations

Consider to include in your Supplier Code of Conduct a requirement that suppliers should cascade these expectations to their own supplier base – this will help you to reach further tiers of your supply chain.

04 Include the requirement on responsible sourcing of raw materials

Make sure your suppliers conduct due diligence in order to understand the source of the raw materials used in their products.

How is the topic reflected in the SAQ?

SAQ Section	SAQ question	Examples of acceptable evidence
Company Management	3. Does your company have a Code of Conduct? 3a. Does your company organise training for your employees on the Code of Conduct?	• Code of Conduct/Code of Ethics • Employee Handbook • ZVEI - Code of Conduct for Social Responsibility
Responsible Supply Chain Management	18. Does your company have set CSR/Sustainability requirements towards suppliers? 18a. Which areas are covered by these CSR/Sustainability requirements? 18b. Does your company use any of the following channels to communicate its Supplier CSR/Sustainability Requirements to your suppliers? 18c. Which processes does your company have in place to review if suppliers fulfil your requirements?	• CSR/Sustainability policies that include reference to supplier adherence • Supplier code of conduct which specifically references supplier adherence

# ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

A **management system** is a set of documented processes and procedures that enable an organisation to control its operations and to reach objectives ensuring continuous improvement. Having a management system for environmental and social issues help companies to **effectively manage their risks and impacts**, as well as to anticipate and timely address potential problems. For example, an environmental management system helps to reduce the negative impact from company operations and optimise the use or resources, while social management system helps to empower employees and communities and prevents workplace incidents and human rights violations. Environmental and social management system/s (ESMS) can be included in the one integrated and centralized system or can be separate systems covering the areas of **working conditions and human rights, occupational health and safety and environment**.

Practical recommendations to develop and implement ESMS

01. Embed E&S criteria in company policies

Integration of E&S factors into your company policies lies at the heart of the due diligence process. Policies demonstrate that your company embraces the responsibility to manage E&S risks and impacts arising from its operations.
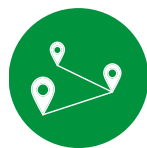
02. Map the risks

In order to effectively mitigate potential negative impacts, your company needs to have a clear picture on the risks it faces across operations and in supply chains. Risk scoping and assessment are essential to be able to prioritise preventive actions and to determine an appropriate response.

03. Develop action plans

Once the policy commitment is set and the risks and adverse impacts are identified, your company needs to start implementing practical actions aimed at avoiding or minimising the risks. This includes setting smart targets and measuring progress against them.
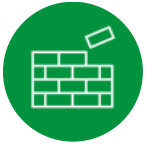
04. Build organisational capacity

The effectiveness of the management system depends on how organised and empowered the staff is to deal with environmental and social issues and how committed the senior management is. To properly understand the risks and address the issues, the responsible team should engage different functions, as the problems may arise on many levels, and have the authority to implement changes. Thus, it is important that all the company personnel receive appropriate training and that the management is ready to equip its staff with necessary resources

05. Improve responsiveness

While the organisation should focus on preventing adverse impacts resulting from its activity, there is no guarantee that harmful events will not occur, and in these situations, it is crucial for the company to be prepared to respond effectively in order to minimize the damage. Your company should have clear procedures explaining what actions should be taken in case of emergency and outlining responsibilities. Stakeholders need to be properly trained.

06. Engage stakeholders

Your company needs to know the individuals and groups affected (or potentially affected) by its business activities and to proactively engage them in a meaningful dialogue on a regular basis. This will make sure stakeholder interests are taken into consideration and will enable the enterprise to take better informed decisions.

07. Implement a grievance mechanism

It is important that your company provides the communication channels through which stakeholders can raise their issues and concerns and seek for remediation. Grievance mechanism can also serve as an early-warning system, as the obtained information flags potential inefficiencies and mistakes in company operations thus preventing the problems from escalation.

08. Report on the progress

Communicating internally and externally on the arising issues and how they are addressed helps to build stakeholder trust and improves your company image. Stakeholders need to be informed in a timely and accessible manner.

09. Monitor and review

For the management system to function effectively, it needs to be continuously improved. Therefore, it is of outmost importance to track its performance and evaluate the progress against a set of KPIs that help to indicate potential gaps and areas for improvement. The revision should be conducted regularly, integrating the key learnings from the previous period in the process

How is the topic reflected in the SAQ?

A management system can be developed internally or in accordance with **national or international standards**. Certified management systems give better assurance to your customers and stakeholders that you are committed to do your business in a sustainable manner and have implemented all the necessary processes in place. While SAQ also recognises internally developed management systems, the highest reward is obtained if supplier management system is certified according to **internationally recognised standards**.

SAQ Section	SAQ question	Examples of acceptable evidence: internationally recognised certifications
Human rights and working conditions	6. Does your site have a management system in place to manage the human rights and working conditions issues?	• SA8000 Social Management System • RSCI audit certificate (FULL label)
Health & Safety	8. Does your site have a health and safety management system in place?	• ISO 45001
Environment	11. Does your site have an environmental management system in place?	• ISO 14001:2015 • EMS ISO 14064 GHG • PAS 2060 Carbon neutrality • BS8555 Certification: Implementation of environmental management systems • PAS2050 Carbon footprint • EU Eco-Management and Audit Scheme (EMAS)