

Function

**Purchasing Brose Group**

Document type

**REQUIREMENTS**

Document - Name

**CODE OF CONDUCT FOR SUPPLIERS  
AND SERVICE PROVIDERS  
("CoC for Suppliers")**

Status	Released on 30 <sup>th</sup> July 2019
Status	Index 100

## Summary

Controlled document		
Created	30 <sup>th</sup> July 2019	
Checked	30 <sup>th</sup> July 2019	
Released	30 <sup>th</sup> July 2019	

Distribution	
Brose	Procurement Brose Website Brose Suppliers and Service Providers

Amendment	
Date	xxx

Source	xxx
--------	-----

## TABLE OF CONTENTS

<b>1</b>	<b>PREAMBLE</b>	<b>4</b>
<b>2</b>	<b>BASIC PRINCIPLES</b>	<b>4</b>
2.1	PURPOSE	4
2.2	SCOPE	4
2.3	DEFINITIONS	5
<b>3</b>	<b>BROSES EXPECTATIONS ON SUPPLIERS</b>	<b>6</b>
<b>4</b>	<b>HUMAN RIGHTS &amp; WORKING CONDITIONS</b>	<b>8</b>
<b>5</b>	<b>ENVIRONMENTAL CARE &amp; AWARENESS</b>	<b>10</b>
<b>6</b>	<b>RESPONSIBLE SOURCING OF RAW MATERIALS</b>	<b>11</b>
<b>7</b>	<b>BUSINESS INTEGRITY</b>	<b>12</b>
<b>8</b>	<b>CONSEQUENCES OF BREACHING BROSE CoC FOR SUPPLIERS</b>	<b>14</b>

## 1 PREAMBLE

The Brose Group (“Brose”) defines a Code of Conduct for Suppliers and Service Providers (“CoC for Suppliers”) as a standard upon which Brose bases its ethical behavior in business, thus ensuring mutual respect, honesty and fairness in everyday dealings with suppliers, service providers and related business partners (“Suppliers”). Brose believes in developing, producing and distributing products and services in a responsible and sustainable manner as it builds trust with customers, with society as well as with Suppliers.

Brose uses its business to build a better tomorrow by creating innovative products and services and ensuring broad access to them, providing a rewarding workplace, being a trustworthy partner and supporting the communities in which Brose operates.

## 2 BASIC PRINCIPLES

### 2.1 PURPOSE

The purpose of the CoC for Suppliers is to define minimum sustainability requirements for all Brose Suppliers. This covers the areas of:

- Human Rights & Working Conditions
- Environmental Care & Awareness
- Responsible Sourcing of Raw Materials
- Business Integrity

The CoC for Suppliers bases on Brose’s Code of Conduct as well as on all current and future domestic and international laws, regulations, conventions and standards (collectively, “Laws”) and any and all such amendments to such Laws promulgated or issued thereunder. Suppliers shall comply with any and all current and future applicable federal, state, local, domestic, international and foreign Laws and other legal requirements.

Supplier shall at all times uphold the highest level of integrity and always operate honestly and equitably throughout its operations and business relationships and disclose details of its corporate structure when requested by Brose.

### 2.2 SCOPE

The CoC for Suppliers applies to all purchasing activities of Brose worldwide and is an integral part of the agreement between Supplier and Brose.

## 2.3 DEFINITIONS

<b>Brose Group</b>	comprises Brose Fahrzeugteile GmbH & Co. Kommanditgesellschaft, Bamberg ("Brose Bamberg") as well as any company which (a) controls Brose Bamberg, (b) is controlled by Brose Bamberg, (c) is controlled by the same legal entity like Brose Bamberg or (d) is jointly controlled by the same natural persons like Brose Bamberg. Control within the meaning of the preceding sentence is the direct or indirect holding of a majority of the shares or the voting rights and/or the possibility to determine the financial and business policy.
<b>DRC</b>	Democratic Republic of Congo
<b>Employee</b>	means everyone working for or on behalf of a Supplier, including but not limited to full and part-time employees, consultants, contractors, trainees, temporary, workers, migrant workers, senior management and board of directors.
<b>Requirement</b>	refers to basic requirements, which all Suppliers have to comply. A breach of a requirement is considered as a breach of any obligation arising in and from the supply relationship between Brose and the Supplier.
<b>Supplier</b>	means any entity delivering goods and/or services to any entity of Brose.
<b>Sustainability</b>	means creating value for our stakeholders through improving lives – now and in the future.

### 3 BROSES EXPECTATIONS ON SUPPLIERS

#### GENERAL REQUIREMENTS

- Supplier shall comply with all the Requirements of the CoC for Suppliers.
- Also, the Supplier shall endeavor that all requirements of this CoC for Suppliers comply by its own sub-suppliers, as well as all his own operations or affiliated companies.
- Supplier shall operate honestly and be transparent with facts and data in relation to the outlined Requirements. Brose wants to maintain an open dialogue concerning achievements, trends and possibilities for improvements in the areas outlined by this CoC for Suppliers. Environmental data related to production, product and transport should be available upon request to enable Brose to conduct environmental life cycle assessments ("LCA").
- Supplier shall have a senior manager in place who is responsible for compliance with the areas covered by this CoC for Suppliers.
- Supplier shall have a CoC in place clarifying the Supplier's rules of behavior and proper conduct for the Supplier's employees.
- Supplier shall be proactive in appropriately addressing any risk of violation of the Requirements, whether in its facilities or in its supply chains.
- Supplier shall implement and make available appropriate grievance channels and remediation mechanisms available to all employees and third parties in order for them to raise concerns or complaints, but also recommendations and improvement ideas concerning the Supplier's operations, without fear of retaliation.

#### Management System

Supplier shall establish and maintain adequate management systems to oversee all elements of this CoC for Suppliers. The system shall be able to detect continuously and inform about potential threats, as well as it shall trace initiated countermeasures including a control of success. Such management system shall be continuously reviewed, monitored and improved, preferably under 3<sup>rd</sup> party certification.

#### Legal Compliance

Fundamental to all areas of this CoC for Suppliers and the baseline of all business within Brose, Brose requires its Suppliers to be knowledgeable about and to comply with all applicable laws and regulations as well as the contractual terms and conditions agreed upon with Brose. In particular, laws to combat corruption and money laundering, competition and anti-trust law, export control and tax legislation have to be obeyed. All legally required permits, approvals, licenses, registrations, inspections and related reports shall be in place, up to date and available for inspection upon request.

In case local laws and regulations are less restrictive, the principles of this CoC for Suppliers shall apply. In case a Requirement is covered by this CoC for Suppliers, as well as by applicable laws and/or an agreement with Brose, the stricter regulation offering the greatest protection shall apply. In cases where there is a direct contradiction between local law and the principles contained in this CoC for Suppliers, the local law shall prevail.

### **Continuous Improvement**

Brose believes in continuous improvement and recognizes that implementing the standards of this CoC for Suppliers into the Supplier´s operations and supply chains is a dynamic rather than a static process. Supplier should also seek continuous improvement over time in order to be able to show progress in all areas covered by this CoC for Suppliers.

### **Implementation and Compliance**

Sustainability performance as outlined by this CoC for Suppliers is a key indicator in Brose supplier qualification and assessment process, and accepting it is a prerequisite for doing business with Brose. Brose verifies compliance with the Requirements of this CoC for Suppliers by means of a Self-Assessment Questionnaire ("SAQ") and reserves the right to conduct an on-site audit at any time, either through employees of Brose or through an independent 3<sup>rd</sup> party appointed by Brose.

## 4 HUMAN RIGHTS & WORKING CONDITIONS

Brose strongly believes that employees are a company's most important resource and the respect for human rights forms the basis of any successful business. Suppliers of Brose shall respect all internationally recognized human rights and treat all people with dignity. Suppliers should especially be aware of and respect the rights of indigenous people, vulnerabilities, including, but not limited to migrant workers, women, children and disabled people, as well as local communities in connection with the Supplier's activities and operations.

Brose expects its Suppliers to exercise human rights due diligence in order to identify, prevent, mitigate and account for negative human rights impacts of their own operations and supply chain with a focus on where they have the highest risks of doing harm to people, and appropriate to company size and circumstances.

### ***Child Labour*** **REQUIREMENT**

Brose does not tolerate child labor, and Supplier shall prevent all forms of child labor. The minimum working age is the age of completion of compulsory school, depending on local laws. But never less than 15 years. Children under the age of 18 years shall not be exposed to work that is likely to harm, especially the physical or mental health, safety or morals of these children. Supplier is furthermore encouraged to have adequate policies, risk awareness, risk assessment and due-diligence processes in place to prevent child labour throughout its supply chain.

### ***Employment Terms & Working Hours*** **REQUIREMENT**

Supplier shall always respect and comply with applicable laws and collective bargaining agreements, if applicable, on working and resting hours, including overtime-working hours, as well as annual, sick and parental leave and any other applicable leave regulations. Supplier is encouraged to comply with International Labour Organization (ILO) standards on working hours and leave.

### ***Health & Safety*** **REQUIREMENT**

Supplier shall provide employees a safe and healthy working environment that minimizes the incidence of work-related injuries and enhances the quality of products and services, the consistency of production and worker retention and morale. This applies to Supplier's production facilities and offices, but also to any company provided accommodation such as dormitories as well as any type of transportation provided by a Supplier to its employees.

Supplier shall ensure that its employees' potential exposure to safety hazards, such as machines, equipment or substances, or other chemical, biological or physical agents, are identified, assessed and controlled through proper design and/or preventative maintenance and safe work procedures. Safety information shall be made available to everyone in order to educate, train, and protect the employees from safety hazards. Fire safety procedures shall, where available, be periodically reviewed and approved by local authorities.



***Forced Labour & Modern Slavery***  
**REQUIREMENT**

Brose does not tolerate any forms of forced labor or modern slavery, including but not limited to forced, bonded or compulsory labor and human trafficking. Consequently, Supplier, including their recruitment agencies, shall not engage in or tolerate restrictions of movement, excessive recruitment fees, confiscation of identity documents and/or passports, withholding of wages, abusive working conditions, debt bondage, violence or any other kind of exploitation or abuse.

***Wages & Benefits***  
**REQUIREMENT**

Supplier shall always pay and provide its employees' wages and benefits that, as a minimum, comply with applicable laws and collective bargaining agreements. Supplier shall provide its employees with information about their employment terms and conditions, including benefits, in a format and language they can easily understand, such as a written employment contract and a timely wage statement.

***Freedom of Association & Collective Bargaining***  
**REQUIREMENT**

All employees shall have the right to lawfully form, join or not join labour unions, bargain collectively, seek representation and join worker's councils in accordance with local law and international conventions. Employees shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, intimidation or retaliation.

Where local law sets restrictions on the right to freedom of association and collective bargaining, Supplier shall allow alternative forms of worker representation, association and bargaining.

***Non-discrimination & Fair Treatment***  
**REQUIREMENT**

Supplier shall treat everyone with dignity and respect and provide equal employment opportunities and conditions based on the individual's ability to do the job, regardless of employee or job applicant characteristics including, but not limited to:

- gender, gender identity or expression
- age
- nationality, race, ethnicity, skin color or cultural background
- religion or belief
- disability, genetics, or health information including pregnancy
- sexual orientation
- union affiliation

Supplier shall not tolerate humiliating or physical punishment or allow any employee to be subject to verbal, psychological, physical, sexual harassment, or abuse.

***Social Commitment***  
**REQUIREMENT**

Brose attaches great importance to the social commitment of its employees in associations or organizations. Brose expects its Supplier to enable its employees to engage in such social activities as well.

## 5 ENVIRONMENTAL CARE & AWARENESS

Brose expects its Suppliers to reduce their negative environmental impacts by protecting the environment, conserving natural resources and continuously striving towards reducing the environmental footprint of its production, products and services throughout their entire life cycle. Supplier is expected to handle environmental violations and complaints methodically and communicate them to affected employees and to external stakeholders including the Brose, if relevant.

### ***Resource Efficiency & Energy Consumption*** **REQUIREMENT**

Supplier shall monitor, track and document its consumption of natural resources such as water and raw materials, as well as sources of energy in order to be able to identify aspects that Supplier can control and can influence fostering opportunities for improvement and minimized consumption.

### ***Emissions & Waste Management*** **REQUIREMENT**

Supplier shall monitor, track and document its emissions to air, water and soil from its facilities and transports, as well as the wastewater and solid waste generated by its operations, in order to be able to identify aspects that Supplier can control and influence fostering opportunities for improvement and minimized emission.

Supplier shall monitor, track and document the composition of its packaging material, which becomes waste at Brose in order to facilitate steps towards circular economy, e.g. utilizing non-complex materials and/or materials for which there are locally established recycling markets available.

## 6 RESPONSIBLE SOURCING OF RAW MATERIALS

Brose believes that mining and trading of minerals and raw materials can generate income, growth and prosperity, sustain livelihoods, and foster local development. However, Brose also recognizes the risks of contribution to adverse impacts such as human rights violations and conflict by improper mining operations. Supplier shall respect all internationally recognized human rights and conduct responsible supply chain management of any materials critical to the industries in which Brose operates, and in particular of those from conflict affected and high-risk mining areas.

### ***Responsible Sourcing*** **REQUIREMENT**

Supplier shall exercise adequate due diligence with respect to sourcing, extraction and handling of tantalum, tin, tungsten, gold ("3TG"), cobalt, or any other material or derivative designated by the U.S. State Department, or any other recognized national or international institutions such as the OECD Due Diligence Guidelines, as a "conflict mineral". Supplier also shall make a reliable determination of the origin and source of such minerals. Suppliers must be able to disclose supply chain mapping back to the primary origin associated with the products or services provided to Brose, its subsidiaries and affiliates for products that contain any "conflict mineral". Suppliers are required to undertake adequate supply chain due diligence to ensure that "conflict minerals" are being sourced from mines and smelters outside Conflict Regions. Suppliers shall have a policy and process in place to ensure that any of these conflict minerals contained in the products manufactured by the Supplier do not directly or indirectly finance or benefit armed perpetrators of human rights abuses or in any other way directly or indirectly contribute to human rights violations. Brose requires our Suppliers to endeavor that all smelters and refiners in its 3TG, cobalt any other material or derivative, or "conflict mineral", supply chain take part and actively engage in independent third party audit programs. Supplier also shall provide any information on such smelters and refiners upon request to Brose or, if sourced within the Conflict Region, from mines and smelters that have been certified by an independent third party as DRC conflict free. To the extent, any Supplier does not currently have this capability; such Supplier is required to promptly disclose its plans to do so. Suppliers shall make all disclosures to Brose upon request within a timely manner.

### ***Hazardous Substances*** **REQUIREMENT**

Supplier shall identify potentially hazardous substances in chemical products and articles used in its production and ensure that they are handled, transported, stored, recycled and disposed of safely. Safety information shall be available to educate, train, and protect employees from hazardous materials and employees shall have access to adequate personal protective equipment.

Brose requires 100% declaration of all substances used in the products delivered to Brose, reported through the International Material Data System or any other corresponding tool as advised by Brose.

## 7 BUSINESS INTEGRITY

Brose believes that earning business fairly and in compliance with applicable legal requirements is essential to build trust with Supplier. Brose requires its Supplier to conduct its business in the same way, especially in the following areas.

### ***Anti-Corruption*** **REQUIREMENT**

Supplier shall not engage in, endorse nor tolerate any form of bribery or corruption, directly or indirectly. Supplier shall not offer nor accept any form of improper benefits to or from a third party, private or public, with the purpose of obtaining or retaining business or any form of preferential treatment. Gifts and hospitality are permissible on the basis of normal business practice if the gift and/or hospitality is proportionate and does not influence the recipient's decision-making. In the region where a concrete value of maximum gift and/or hospitality is regulated by Brose, the supplier shall follow.

### ***Money Laundering*** **REQUIREMENT**

Supplier complies with the applicable laws for prevention of money laundering.

### ***Fair Competition*** **REQUIREMENT**

Supplier shall respect and comply with all applicable fair trade, competition and anti-trust laws and regulations and shall not have any anti-competitive discussions or enter into any anti-competitive agreements, including illegal price-fixing, market sharing, customer allocation or other illegal restrictive practices, at any level of the production or distribution chain.

### ***Conflicts of Interest*** **REQUIREMENT**

Supplier shall do business in an open and transparent way in order to demonstrate that he is an honest and reliable partner. Further, Supplier shall conduct business in a manner that avoids situations where private, financial or other external interest's conflict with the job responsibilities of the employee. Any situation where a Brose employee or professional under contract with Brose may have a personal interest of any kind in the Supplier 's business or any kind of economic ties with the Supplier must immediately be reported to Brose through ordinary reporting channels.

### ***Intellectual Property Rights (IP) & Confidentiality*** **REQUIREMENT**

Supplier shall respect Brose confidential information and intellectual property rights by safeguarding against misuse, mishandling, counterfeit, theft, fraud or improper disclosure in accordance with applicable law and the contractual terms with Brose. Supplier is encouraged to implement an information management strategy, including a policy, which ensures proper levels and thresholds as well as records for proper business integrity.

***Data Privacy***  
**REQUIREMENT**

Whenever a Supplier is entrusted with personal information about individuals, Supplier shall safeguard it and take appropriate steps to protect it from misuse. All applicable data privacy laws as well as the contractual terms with Brose shall be observed when collecting, storing, using, processing or sharing personal information about individuals.

***Export Control***  
**REQUIREMENT**

Supplier complies with international applicable laws for the import and export of goods, services and information, including compliance with all applicable laws that prohibit or restrict business relationships with sanctioned countries, entities or persons.

***Documentation***  
**REQUIREMENT**

Contracts are adhered to, taking into account changes in the framework conditions. Brose expects its Supplier to ensure that all reports, records and invoices are accurate, complete, and do not contain false or misleading information.

***Financial Responsibility***  
**REQUIREMENT**

Supplier complies with the principles of proper accounting and financial reporting. Where required by law, Supplier shall provide information on the current financial situation. Social, tax and customs regulations are observed and complied with.

## 8 CONSEQUENCES OF BREACHING BROSE CoC FOR SUPPLIERS

Brose verifies compliance with the standards and rules set out in this document by means of a Self-Assessment Questionnaire ("SAQ") and if needed by sustainability audits and assessments at Supplier production locations, as well as its entire supply chain.

Adequate handling of non-compliance cases is a key part of our comprehensive compliance management. Brose does not tolerate non-compliant behavior regarding CoC for Suppliers. Suppliers, which violates this CoC for Suppliers, will be held accountable.

Brose is fully committed to handling non-compliance cases adequately by:

- Taking all allegations seriously
- Investigating allegations efficiently and in a timely manner
- Assessing the facts objectively and impartially; and
- Taking adequate corrective measures and sanctions, in case an allegation is substantiated.

Internal and/or external experts under the leadership of the Brose Group Chief Compliance Officer and the relevant department of the Brose Group will investigate allegations, in particular but not limited to corporate bribery and fraud.

Brose reserves the right to charge the supplier for additional costs resulting from non-compliance with the "CoC for Suppliers".

Any violation of the Requirements will be considered a material impairment of the business relationship with the Supplier. In this case, Brose reserves the right to demand clarification of the facts, initiation of measures and information on the matter, without prejudice to further rights. A lack of willingness to cooperate or the demonstrable failure to introduce suitable improvement measures within a reasonable period of time or the seriousness of the infringement may lead to the termination of the business relationship.

-----