

Corporate Social
Responsibility (CSR)
Sustainable
Procurement



Responsible for content:



1. Preamble

HBPO is the world market leader for highly integrated front-end modules (FEM). As an automotive supplier, we are leaders with our knowledge and experience in the development, design, assembly and logistics of module solutions.

In order to meet increased customer requirements concerning quality, response capacity and flexibility, HBPO is setting high benchmarks for its own quality requirements and performances. At the end of the day, optimum supplier products and performances are a prerequisite for the fulfilment of these requirements. For this reason, we rely on long-term partnerships with our regional and global supplier partners. Thanks to the close cooperation and the related increasing exchange of optimisation potentials, we are developing future-oriented solutions and products and thus creating mutual synergies.

HBPO understands the importance of its Supply Chain impact in the current and future business and through our process it is asked to all suppliers to endeavor to comply with international legislations and social responsibility (no forced labor, child labor, hidden discrimination and the respect for human rights, ethics). They shall conduct their activities in accordance with the principles of loyalty, integrity and equity to ensure constant compliance with all laws and regulations fighting against corruption, money laundering and anti-competitive practices or conduct.

By acting responsible in collaboration with our suppliers, we aim to minimize risks and create stable, long-term business relationships with our partners.



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To assure sustainable procurement and Corporate Social Responsibility (CSR) within our supply chain we have established the following pillars:



The scores obtained by the suppliers on mentioned pillars, enable the purchasing department to detect risks within the supply chain and to steer purchasing activities in a more strategical and sustainable manner.

2. Scope

This sustainable purchasing guide is a "Guideline" which aims to ensure that the way we conduct business with our suppliers is in line with environmental, social, ethical and sustainable standards, helping the buyers & suppliers to understand how the Group Governance and expectation of HBPO through the full supply chain.

It is understood by HBPO that the Corporate Social Responsibility needs to be taken on global purchasing actions and should be part of our global performance as assessed by our own clients.

Purchasing objective is to screen suppliers based on defined supplier portfolio agreed by Purchasing & Procurement HQ and the Supplier Manager of the different HBPO regions.

Even not having direct relationships with raw material supplier, HBPO starts the assessments of these companies in case these are partners of our direct supplier. These assessments will be conducted as described in the following chapters.

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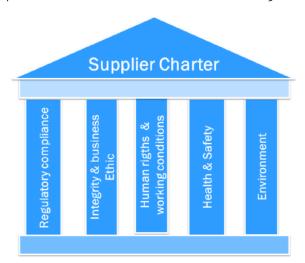
3. Responsibility

Purchasing & Procurement HQ is responsible for the creation and maintenance of this guideline. The central Supplier Manager of every region (North America, Asia and Europe) are responsible for the supplier assessments within each region.

4. Our pillars on Corporate Social Responsibility & Sustainable Procurement

4.1. Supplier Charter

It is mandatory for the supplier to sign the supplier charter before any business award. This need is pointed out in our General Purchasing Conditions as well. The objective of this Charter is to express the expectations of HBPO with regards to its Suppliers (current or potential) in terms of CSR. The supplier charter itself is based on following five pillars:



HBPO asks its suppliers to endeavour to comply with international regulations pertaining to the refusal of forced labour, child labour, concealed work discrimination and to respect human rights and conduct activities in accordance with the principles of loyalty, integrity and equity to ensure strict compliance at all times with all laws and regulations against corruption, money laundering and anti-competitive practices or conduct.

HBPO's aim is to have all of its key suppliers adhering to this approach by signing the Supplier Charter

In case a supplier is not able or not willing to sign the charter but is able to prove at least an equal level of content, the related documents will be evaluated by our Legal Department.

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4.2. Compliance Screening

The supplier compliance assessment is a systematic process which is used in the phases of supplier nominations (focus on *prospected*, annual spend > 10 KEUR) as well as for a panel of suppliers defined and reviewed in each year ("Compliance Panel"). For this purposes HBPO is using the solution "indueD" provided by Altares.

Risk Factors

A Third Party is assessed on the basis of 5 risk factors ("Risk Factors") which are:

- Supplier country (considering the Corruption-Perception-Index)
- sector,
- the inclusion of the Supplier in international sanctions lists,
- the link with Politically Exposed Persons ("PEP")
- Adverse Media ("AM") relating with ESG.

Risk screening

For each supplier, each of the Risk Factors are rated as low, medium or high in a systematic and objective manner using as far as possible public information from recognized external sources. This process is referred to as the "Screening":

- "low" risk, symbolized by the color "green",
- "medium" risk, symbolized by the color "orange",
- "high" risk, symbolized by the color "red".

Third risk profiles are regularly updated, at least once a year.

Once screened, a compliance score ("Compliance Score") is established. The correspondence grid associating a Compliance Score with a given combination of the 5 Risk Factors.

"GREEN" rated partner:

The supplier deemed Compliant (Green Compliance Score) are not subject to any additional diligence. They will be screened periodically to confirm their status, as a follow up.

"ORANGE" and "RED" Status

For those rated parties it is mandatory, and the ambition of HBPO to start further sustainability/ESG screenings described in chapter 4.3. Based on these screening results, further actions will be decided which are tracked with actions plans.

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4.3. Sustainability / ESG (Environmental, Social, Governmental) Assessment

HBPO understands the approach of CSR initiatives and its responsibility to break down related requirements into the supplier chain.

To meet this approach HBPO has launched a campaign with a third party (Ecovadis) to start the process of screening suppliers regarding due diligence topics. This process will allow us to select the most appropriate suppliers, in compliance with our values and ensure full compliance in the provision of services and products according to the code of conduct and the agreements set between HBPO and suppliers.

Safety, Ethics and Quality are priority and non-negotiable and the suppliers are expected to comply with our requirements and develop a corporate sustainability responsibility mindset beyond the relation within HBPO.



To achieve the mentioned aim, our suppliers get screened in following areas:



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The suppliers are requested to upload related documentations to prove the content of CSR initiatives and principles. The upload of documents and quality of content referring to specific assessment points have an impact on their final scoring.

The complexity of assessment depends on company branch and size. The following assessment content is an example based on a big automotive company.

General questions

1. External CSR initiatives or sets of principles

- United Nations Global Compact (UNGC)
- Science Based Targets initiative (SBT i)
- Other external CSR initiative or set of principles

2. Company's reporting on quantitative indicators on CSR topics

- The indicators are externally verified by an independent third party
- The Key Performance Indicators are formally aligned with a sustainability reporting standard (e.g. GRI, SASB,..)
- A materiality analysis was conducted to identify relevant indicators
- Communication of progress towards the Sustainable Development Goals (SDGs)
- On-site audits with regards to CSR issues

I. Environment

Suppliers and sub-suppliers are requested to adopt sustainable environmental practices that facilitate and foster a conscious use of resources and raw materials. Thereby suppliers should focus their efforts on keeping energy consumption and the use of resources as low as possible. We expect our suppliers to protect natural ecosystems (biodiversity) and to ensure a sustainable land use. This includes not to contribute to the changing, deforestation, or damage of natural woodland, soil quality and other natural ecosystems. The environmental assessment consists of:

1. Environmental policy

- Energy Consumption and Greenhouse gases
- Water
- Biodiversity
- Local Pollution
- Materials, Chemicals and Waste
- Environmental impacts from use of products
- Environmental impacts from Products End-of-Life (e.g. recycling of products)
- Customer Health and Safety
- Promotion of Sustainable Consumption

2. Reduction of energy consumption and the emissions of GHG

- Training of employees on energy conservation/climate actions
- Purchase and/or generation of renewable energy
- Purchase of verified carbon offset credits
- Energy and/or carbon audit
- Improvement of energy efficiency through technology or equipment upgrades
- Use of waste heat recovery systems or combined heat and power units
- Other actions to reduce energy consumption/GHG emissions

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3. Water management

- Technologies or practices to recycle or reuse water
- Water accounting or auditing performed
- Adoption of cooling systems with reduced or recycled water consumption
- Reduction of water consumption in painting and cleaning processes
- Reduction of water consumption through technology or equipment not mentioned above
- On- site or off- site wastewater treatment facilities
- Wastewater quality assessment
- Implementation of a rainwater harvesting system
- Control of wastewater generated in finishing operations such as quenching and deburring
- Other actions to manage water efficiency or wastewater discharge

Hazardous materials

- Reduction of material consumption through process optimization
- Use of recovered input materials
- Use of eco-friendly or bio-based input materials
- Environmental emergency measures in place
- Actions for labeling, storing, handling and transporting hazardous substances
- Training employees to safely handle and manage hazardous substances
- Specialized treatment and safe disposal of hazardous substances
- Use of alternative, less hazardous substances in operations
- Reduction of hazardous substance generation or toxicity
- Actions to reduce or eliminate the use and release of Persistent Organic Pollutants (if applicable)

5. Waste management

- Reduction of internal wastes through material reuse, recovery or repurpose
- Actions or training to raise employee awareness on waste reduction & sorting
- Internal sorting & disposal of waste according to waste streams
- Mapping of waste streams

6. Environmental impacts from the use of products

- Integration of ecodesign features in product design (e.g. improving durability and rolling resistance; reducing noise emission, fuel consumption and weight)
- Environmental impact analyses performed (e.g. carbon footprint study, life cycle assessment)
- Other product design/performance standards (if yes, please specify)

7. Environmental impacts from product end of life

- Company specific take back programs (e.g. free collection infrastructure, formal partnership established, information channels to customers)
- Products designed for easy dismantling and retreading

8. Services to clients promoting the sustainable use of motor vehicles

- Provision of fuel consumption reduction information
- Provision of fuel consumption reduction training (e.g. eco-driving)

9. GHG reduction targets

- absolute scope 1 reduction target
- absolute scope 2 reduction target
- absolute scope 3 reduction target
- intensity reduction target
- targets approved by SBT i

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10. KPI's on company operations

- % of the total workforce across all locations who received training (internally or externally) on environmental issues
- % of all operational sites for which an environmental risk assessment has been conducted
- Other indicator on the % of the deployment of environmental actions throughout all company operations
- Further KPI's on:
 - o Energy Consumption & GHGs
 - Water
 - o Biodiversity
 - Local & Accidental Pollution
 - o Materials, Chemicals & Waste
 - Product Use
 - o Product End-of-Life
 - o Customer Health & Safety
 - o Environmental Services & Advocacy
 - o Total energy consumption in MWh
 - Total renewable energy consumption
 - o Total gross Scope 1, Scope 2 and Scope 3 GHG emissions in tons of CO2 eq
 - o Total water consumption in liters, if applicable
 - Total weight of hazardous waste in tons, if applicable
 - o Total weight of pollutants emitted to water
 - o Total weight of non-hazardous waste in tons
 - o Total weight of waste recovered
 - o Percentage of operational facilities certified ISO 14001, EMAS or other management standard

II. Labor & Human rights

Our supplier and service provider are expected to comply with international regulations pertaining to the refusal of forced labour, child labour, concealed work discrimination and to respect human rights. In cases where our business partners deploy security forces, they ensure that this does not lead to human rights abuses by security personnel against employees or third parties. Additionally, we expect our suppliers not to contribute directly or indirectly to supporting private or public security forces that unlawfully exercise control over mining sites, transportation routes and upstream stakeholders in the supply chain. The screening on the chapter refers to following topics:

1. Policy on labor practices or human rights

- Employees health and safety (e.g. management of employees health and safety issues)
- Labor and human rights management system certifications
- Working Conditions (e.g. wages & working benefits, working hours, exchange of information and participations on working conditions)
- Labor Relations (e.g. structured relations with employee representatives / trade unions)
- Career Management (e.g. management of recruitment, training & career development
- Child and Forced Labor (e.g. engagements or measures taken to prevent or eradicate child or forced labor)
- Diversity, Equity & Inclusion
- External stakeholder human rights
- Check if health & safety policy also covers activities carried out by subcontractors

2. Actions regarding employee health and safety

- Health and safety detailed risk assessment
- Procedure in place to anticipate health & safety risks related to change of operations (e.g. start-up of new operations, change of operations)

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- Provision of protective equipment to all impacted employees
- Specific procedures for handling of chemicals or hazardous substances
- Health and Safety procedures translated in major languages spoken by employees
- Joint labor management health and safety committee in operation
- Active preventive measures for stress and noise
- Training of all relevant employees on health and safety risks and good working practices
- Mandatory health check up for all employees
- Training on health and safety issues for subcontractors working on premises (if applicable)
- Regular inspection or audit to ensure safety of equipment

3. Actions regarding working conditions

- Interactive communication session with employees regarding working conditions
- Compensation for extra or atypical working hours
- Family Friendly programs (FFPs) implemented (e.g. parental or care leaves, childcare services or allowances)
- Flexible organization of work available to employees (e.g. remote work, flexi-time)
- Health care coverage of employees
- Remuneration process (e.g. salary grid, procedure for salary advancement) communicated to employees
- Employee satisfaction survey
- Employee stock ownership plan (not restricted to executive level)
- Bonus scheme related to company performance
- Granting of special remuneration / time off for overtime worked (company wide)
- Granting of paid annual vacation (company wide)
- Employees receive 24 hours rest within a time frame of 7 consecutive days (company wide)
- Employees are paid statutory minimum wages
- Check if people under 18 are working or living on any of the production sites exposed to risks from chemicals, pesticides, machines or tools, dust or excessive cold, heat or noise

4. Social dialogue

- Employee representatives or employee representative body (e.g. works council)
- European Works Council in place
- Collective agreement on employees' health & safety
- Collective agreement on working conditions
- Collective agreement on training & career management
- Collective agreement on diversity, discrimination and/or harassment
- Request of feedback if workers have the right to join labor unions, workers' councils, or other collective bargaining organizations

5. Training and career management

- Transparent recruitment process (communicated clearly and formally to all candidates)
- Regular assessment (at least once a year) of individual performance
- Setting of Individual development and career plan for all employees
- Official measures promoting career mobility
- Provision of skills development training
- Official measures to anticipate or reduce layoffs and associated negative impacts (e.g. financial compensation, outplacement service)

6. Actions to address child labor, slavery and/or human trafficking

- Risk assessments performed to identify operations exposed to potential child and/or forced labor
- Awareness training on child labor, slavery and/or human trafficking
- Auditing of internal controls to prevent child and/or forced labor
- Formal collaboration with local NGOs to address child and/or forced labor issues
- Remediation procedure in place for identified cases of child and/or forced labor
- Whistleblower procedure on child or forced labor issues
- Other proactive measures to prevent child and/or forced labor

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7. Actions to promote diversity, equity & inclusion

- Proactive measures to prevent discrimination during recruitment phase
- Actions to prevent discrimination in professional development and promotion processes
- Awareness training to prevent discrimination and/or harassment
- Actions to prevent workplace harassment
- Measures for the integration of employees with disabilities
- Whistleblower procedure on discrimination and harassment issues
- Measures to promote wage equality in the workplace (e.g. equal pay monitoring)
- Remediation procedure in place for identified cases of discrimination and/or harassment
- Affinity or other support groups for minorities/vulnerable groups
- Other actions to promote the inclusion of minority/vulnerable groups in the workplace
- Women's development, mentorship, and/or sponsorship programs in place

8. KPI's on company's actions throughout all company operations/workforce

- % of all operational sites for which an employee health & safety risk assessment has been conducted
- % of the total workforce across all locations represented in formal joint management- worker health & safety committees
- % of the total workforce across all locations who are covered by formal collective agreements concerning working conditions
- % of the total workforce across all locations who are covered by formally- elected employee representatives
- % of the total workforce across all locations who received regular performance and career development reviews
- % of the total workforce across all locations who received career- or skills- related training
- % of the total workforce across all locations who received training on diversity, discrimination and/or harassment
- % of all operational sites that have been subject to human rights reviews or human rights impact assessments
- Other indicator on the % of the deployment of labor or human rights actions throughout all company operations/workforce
- Lost time injury (LTI) frequency rate for direct workforce (total number of lost time injury events) x 1,000,000 / total hours worked company wide
- Lost time injury (LTI) severity rate for direct workforce (number of days lost due to injuries) x 1,000 / total hours worked
- Training hours per employee
- Percentage of workers from minority groups and/or vulnerable workers employed in relation to the whole organization (if applicable)
- Percentage of workers from minority groups and/or vulnerable workers in top executive positions (excluding boards of directors)(if applicable)
- Percentage of women employed in relation to the whole organization
- Percentage of women in top executive positions (excluding boards of directors)
- Percentage of women within the organization's
- Average unadjusted gender pay gap
- Percentage of operational facilities that are ISO 45001/0HSAS 18001
- Further KPI's on:
 - o Employee Health & Safety
 - o Working Conditions
 - o Social Dialogue
 - o Career Management & Training
 - o Child Labor, Forced Labor and Human Trafficking (if applicable)
 - Diversity, Equity & Inclusion
 - o External Human Rights Issues (if applicable)



III. Ethics

The supplier shall conduct their activities in accordance with the principles of loyalty, integrity and equity. As part of sustainable entrepreneurship, the supplier undertakes to respect at any time the intellectual property of competitors, business partners and other third parties and protect associated information. Moreover, we expect our supplier to respect local, national, international, and traditional rights concerning land, water, and resources. The supplier undertakes not to participate in land theft. The supplier is asked to avoid unlawful eviction from land, forests, and waters when acquiring, building on, or otherwise using land, forests, and waters that serve as a person's livelihood.

Following topics are part of the screening:

1. Policy in regards to ethics

- Corruption
- Conflict of interest
- Fraud
- Money laundering
- Anti-competitive practices
- Information security
- external certifications related to business ethics issues (ISO 27001, anti-corruption certification schemes [e.g. Ethic Intelligence, Trace, etc], others)

2. Actions to prevent corruption and bribery

- Awareness training performed to prevent corruption and bribery
- Third party anti-corruption due diligence program in place
- Whistleblower procedure for stakeholders to report corruption and bribery
- Periodic corruption and bribery risk assessments performed
- Audits of control procedures (e.g. accounting, purchasing etc.) to prevent corruption and bribery
- Specific approval procedure for sensitive transactions (e.g. gifts, travel)

3. Actions regarding information security

- Awareness training to prevent information security breaches
- Third party information security due diligence program in place
- Whistleblower procedure for stakeholders to report information security concerns
- Periodic information security risk assessments performed
- Audits of control procedures to prevent information security breaches
- Incident response procedure (IRP) to manage breaches of confidential information
- Implementation of a records retention schedule
- Measures to protect third party data from unauthorized access or disclosure
- Measures for gaining stakeholder consent regarding the processing, sharing and retention of confidential information

4. KPI's related to ethics

- Percentage of total workforce trained (e.g. through e-learning) on business ethics issues
- Number of reports related to whistleblower procedure
- Number of confirmed incidents
- Number of confirmed information security incidents
- Percentage of all operational sites for which an internal audit/risk assessment concerning business ethics issues has been conducted
- Percentage of all operational sites with certified anti-corruption management system
- Percentage of all operational sites with an information security management system (ISMS) certified to ISO 27000 (or other equivalent/similar standard)

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IV. Sustainable Procurement

The screening in that area covers following topics:

1. Policies regarding sustainable procurement

- Sustainable procurement policy on environmental issues, and/or labor practices and human rights
- Check if there is any tin, talum, tungsten, or gold remaining in the product that companies manufactures, subcontracts, or sells
- Policy related to "conflict minerals" (tin, tungsten, tantalum, gold)

2. Adherence to CSR initiatives or sets of principles

- Responsible Minerals Initiative (RMI, formerly CFSI)
- World Gold Council (Conflict-Free Gold Standard)
- Public-Private Alliance for Responsible Mineral Trade (PPA)
- Association Connecting Electronics Industries (IPC)
- JEITA's Responsible Minerals Trade Working Group
- Responsible Jewellery Council
- ITRI's Tin Supply Chain Initiative (iTSCi)
- The London Bullion Market Association
- Responsible Artisanal Gold Solutions Forum (RAGS)
- European Partnership for Responsible Minerals

3. Conflict mineral risk in supply chain

- Detailed conflict minerals risk analysis (per product or purchasing category) for downstream companies (e.g. manufacturers)
- Selected suppliers required to fill Conflict Minerals Reporting Template (CMRT)/other customized conflict mineral-related questionnaire
- Investigation or traceability system of upstream actors (smelters, trades, mines) on conflict minerals due diligence (e.g. third party on-site audit in place)
- Procedure to disengage with a non responding supplier (after several attempts) on conflict minerals issues (i.e. escalation steps)
- Grievance mechanism allowing any interested parties to voice and record concerns
- Formal project or partnership with NGOs regarding conflict minerals (e.g. Enough Project, Pact, Global Witness)
- Due diligence report on conflict minerals

4. Actions regarding the integration of social or environmental factors within procurement

- Supplier CSR code of conduct
- Integration of social or environmental clauses into supplier contracts
- CSR risk analysis (i.e. prior to supplier assessments or audits)
- Supplier assessment (e.g. questionnaire) on environmental or social practices
- Training of buyers on social and environmental issues within the supply chain
- On-site audits of suppliers on environmental or social issues
- Capacity building of suppliers on environmental or social issues (e.g. corrective actions, training)
- Performing suppliers on environmental and social issues have access to unique incentives (e.g. supplier awards, preferred supplier program, access to RFPs)
- Sustainable procurement objectives integrated into buyer performance reviews
- Worker voice surveys or other advanced supplier monitoring practices (e.g. second tier audits)
- Request for certification regarding sustainable procurement
- Request for formal assessment of company's suppliers progress with regards to the REACH regulation

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5. Diversity Program

- Actions to work with women- owned businesses in the supply chain
- Actions to work with businesses owned by minorities/vulnerable groups in the supply chain
- Actions to advance diversity, equity and inclusion in the workforce of suppliers
- supplier diversity program in place that applies to all suppliers globally

6. KPI's related to sustainable procurement

- Percentage of targeted suppliers that have signed the sustainable procurement charter/supplier code of conduct
- Percentage of targeted suppliers with contracts that include clauses on environmental, labor, and human rights requirements
- Percentage of targeted suppliers that have gone through a CSR assessment (e.g. guestionnaire)
- Percentage of targeted suppliers that have gone through a CSR on-site audit
- Percentage of buyers across all locations who have received training on sustainable procurement
- Scope 3 GHG emissions of suppliers' supply chain
- Percentage of suppliers for which information regarding conflict minerals is available
- Percentage or number of audited/assessed suppliers engaged in corrective actions or capacity building

7. Actions regarding GHG emissions in the supply chain

- engage suppliers in climate action
- select suppliers based on GHG emissions intensity or GHG reduction efforts
- partner with suppliers to help them achieve GHG emissions reduction

8. Actions regarding the monitoring of scope 3 emissions

- screen scope 3 categories to identify the most relevant for our activity
- use industry- average- data to estimate our scope 3 emissions
- collect primary scope 3 data from internal stakeholders
- collect primary scope 3 data from suppliers

4.4. Suppliers' financial stability

To ensure relationships with reliable, financial partners, HBPO performs financial assessments of its suppliers to screen their financial stability. The financial figures, as well as the complete company structures are taken from the same solution which provides the compliance score and which is connected to Dun & Bradstreet (D&B)

The financial ratings are based on the following D&B scores:

- D&B Rating: The D&B rating is a proprietary indicator that quickly assesses the creditworthiness of a company based on financial strength of the business, payment behaviour, age of the company, company size, and other important factors.
- D&B Failure: The D&B Failure Score predicts the likelihood that an organisation will obtain legal relief from its creditors or cease operations over the next 12-month period. The Failure Scorecard also looks for events signalling the onset of failure (bankruptcy).

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- Delinquency Score: The Delinquency Score also looks at the next 12-month and rates the business on the likelihood of it making severely delinquent payments, seeking legal relief from creditors, or ceasing operations without paying creditors. This score is concerned only with invoice payments.
- EMMA Score: An EMMA Score (Emerging Markets Mediation Alert): is a judgmental risk score developed for use in Emerging Markets, as an initial risk assessment tool, eventually to be replaced by an empirically derived score when sufficient data is present in that market.

6. Public documents

available at www.plasticomnium.com

sub-area: https://modules.plasticomnium.com/en/purchasing

All suppliers are expected to comply with following regulations:

General Purchasing Conditions

Supplier Charter

Code of Conduct (CoC)

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