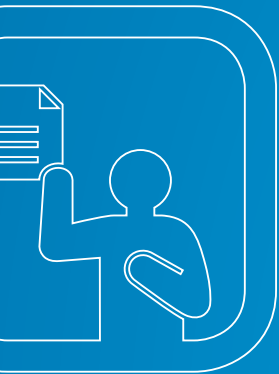




Federal Ministry  
of Labour and Social Affairs

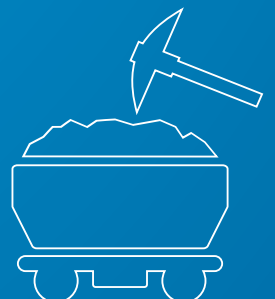
**SECTOR DIALOGUE**  
Automotive Industry



**Respecting human rights  
along global supply and  
value chains of Germany's  
automotive industry**

**Practical guide**

**Integrating standards  
in human rights  
due diligence**



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# About this guide

This guide was developed as part of the work of the **pilot project copper** of the [Sector Dialogue Automotive Industry](#) (“Respect for human rights along global supply and value chains of the German automotive industry”).

The following members of the Sector Dialogue participated in the pilot project copper and have contributed to the development of the guide: Aurubis AG, Bayerische Motoren Werke AG, DRÄXLMAIER Group – Fritz Dräxlmaier GmbH & Co. KG, HARTING Automotive GmbH, Mercedes-Benz Group AG, Schaeffler AG, ZF Friedrichshafen AG, Germanwatch e.V., the Federal Institute for Geosciences and Natural Resources, and the Federal Ministry of Labour and Social Affairs.

This guide builds on the work of the pilot project copper that examined the **benefits and limitations of**

**voluntary sustainability standards**, including their audits and certifications, as part of human rights due diligence for enterprises using the example of the copper supply chain. **Its objective is to support enterprises in the appropriate integration of sustainability standards and their certifications into their own due diligence processes.**

In addition to this guide, the project group members have co-developed the “**Analytical framework** to assess the fitness of voluntary sustainability standards for human rights due diligence” and have commissioned the **guidance note** “Beyond audits in copper supply chains: using leverage to prevent and address copper-specific salient human rights issues”. This guide builds on these findings, and additional resources for enterprises are introduced at the relevant point below.

# Overview of the guide

This guide examines why it is relevant for enterprises to take a closer look at voluntary sustainability standards and which principles to observe when doing so. It is important to note that [enterprises must retain responsibility](#) (principle 1) and cannot use sustainability standards to fulfil due diligence on their behalf. Applying a standard is just one component in the toolbox, and identifying appropriate standards requires insight into the particular context and needs. Thus leading to principle 2: [know the supply chain to know the risks](#). This provides the basis for [understanding how a given standard can contribute to](#)

[due diligence](#) (principle 3), for which it is equally important to [know the standard’s limitations](#) (principle 4). Building on these principles, three main criteria to consider when selecting a standard to apply are introduced: [scope](#) (criteria 1), [credibility](#) (criteria 2) and [audit quality](#) (criteria 3). Relevant information for assessing a standard’s system can be found in the section [“Standard’s documents and further references”](#). Finally, this guide provides ideas for [complementing and going beyond the use of sustainability standards](#).

# Introduction

The automotive industry is characterised by **dynamic and complex globally dispersed supply and value chains** and faces significant human rights challenges, particularly with regard to the **extraction of minerals**. This is amplified by the fact that especially mining and to some degree the processing of minerals take place largely in states with weaker rule of law and weaker institutions. Upstream processes in mining, such as in the area of copper mining, can involve a variety of human rights violations, including damage to the health or safety of workers or local peoples, discrimination, restrictions on freedom of association, or violations of indigenous peoples' rights.

Enterprises have a **responsibility to respect human rights**, as codified in the UN Guiding Principles on Business and Human Rights (UNGPs) and other legal and regulatory frameworks such as the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). This means engaging proactively and globally to ensure that people are protected against harmful business activities while also strengthening the beneficial impacts of those activities on people. Enterprises in the automotive industry have to tackle the challenge of **developing responsible mineral supply and value chains** in the face of complexity, while also acknowledging the **strategic importance of a reliable raw materials supply**.

The copper supply chain illustrates clearly the challenges downstream enterprises are confronted with when assessing human rights in upstream supply chains. **Opacity of supply chain networks** and **difficulty establishing traceability** on the one side stand opposite growing demand on the other – with estimates seeing a potential 50% increase in copper consumption by 2037, fuelled by the energy transition and e-mobility.

Against this backdrop, members of the Sector Dialogue Automotive Industry decided to apply the copper supply chain as an example to look closer at the **role and limitations of voluntary sustainability standards** (shortened to “sustainability standards” or “standards” in the following). Such standards have increasingly become a tool enterprises use to address risks and consolidate remedial efforts around core issues that have emerged in global value chains, such as in minerals supply. While these standards may facilitate exchange across different stages of supply chains, make requirements more tangible, and thus can play an important role in the implementation of human rights and environment-related due diligence, it is understood that they do not release enterprises from their duty to deliver on due diligence obligations.

Enterprises therefore need to **assess carefully what contribution the application of a standard can make** toward implementing due diligence measures in their individual supplier networks and where additional due diligence measures will be necessary. This requires that enterprises understand what the **core principles** are when integrating a standard in business practice and what the **relevant criteria to consider** are when analysing a standard, whether this relates to the enterprise's own selection process or to understanding the specific standard a certified supplier is applying.

This guide aims to provide **orientation by which mid- and downstream enterprises** can evaluate different standards against the backdrop of a quickly evolving voluntary landscape and make informed decisions. It seeks to encourage enterprises to take a closer look at sustainability standards in order to understand their potential for complementing their own human rights due diligence as well as to assess how the enterprise can supplement application of a standard and go beyond sole reliance on such systems.

# Background on sustainability standards

## A brief history of sustainability standards and their prevalence

In the early 2000s, following a period of intensified offshoring, collaborative industry initiatives emerged to support enterprises in addressing risks in global supply chains. The core activities defined by these initiatives were workstreams focused on different key topics, capacity building and/or social compliance audits. More recently, the development of the **UN Guiding Principles** in 2011 has led to greater sophistication in the understanding of responsible business and supply chain due diligence activities. Further, since the publication of the third edition of the **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas** in 2016, there is today a negotiated multi-stakeholder consensus on how due diligence should be implemented.

Other mechanisms such as the ISEAL Alliance and national as well as international accreditation bodies have been formed in order to strengthen reliability, transparency and overall quality of sustainability standards based on experiences and best practices of the last decades. In light of increasing pressure from external stakeholders (consumers, investors, civil society organisations), more sustainability standards have been launched with focuses on specific sectors, tiers of the supply chain or certain types of raw materials. Overall, the current **sustainability standards landscape has grown** significantly, which has led to diversity and fragmentation. It is thus all the more important to have a thorough understanding of this landscape and to follow a clear process in the selection of a standard.

## Relevance within context of heightened regulatory requirements

In respect of the recent sharpening of **legal requirements on due diligence**, sustainability standards are of increasing relevance for enterprises as a supporting

element for their due diligence efforts in the supplier networks.

Legal frameworks like the proposed **EU Corporate Sustainability Due Diligence Directive (CSDDD)** require enterprises to identify, prevent, mitigate and account for negative environment-related and human rights impacts within the enterprise's own operations, at subsidiaries and in the value chain. Under the **EU Conflict Minerals Regulation**, entities must establish a due diligence management approach and can make use of sustainability standards that have been granted a recognition of equivalence with the requirements by the European Commission and which are subject to follow-up checks. Under the **EU Battery Regulation** enterprises must implement a system of transparency and controls, such as a chain of custody or traceability system. Similar to the EU Conflict Minerals Regulation, enterprises can make use of recognised standards in order to support the fulfilment of their due diligence requirements here.

Under the adopted **EU Critical Raw Materials Act** as well, promoters of strategic raw material projects will be required to monitor, prevent and minimise environment-related impacts and socially adverse impacts through the use of socially responsible practices. These include respect for human rights, labour rights, and the rights of indigenous peoples, in particular in the case of involuntary resettlement. Meaningful engagement with local communities and relevant social partners as well as the use of transparent business practices with adequate compliance policies are also required with the aim of preventing and minimising risks of adverse impacts on the proper functioning of public administration, including corruption and bribery prevention. A recognition by the European Commission of certification schemes related to the sustainability of critical raw materials will be possible. A recognised certification scheme must be subject to multi-stakeholder governance.

With regard to these legal frameworks, enterprises may draw on sustainability standards to support the implementation of aspects of their due diligence obligations, provided that these meet the requirements of the respective regulation. However, the use of such standards does not release enterprises from their obligation to conduct their own due diligence in supply chains and cannot provide a guarantee that an enterprise respects human rights or the environment (more on this below under principle 1).

## Relevance and function of sustainability standards in supply chain management

Against the backdrop of these regulatory requirements, voluntary sustainability standards provide important platforms for enterprises to **increase their leverage** within their upstream supplier networks and to support them in effectively implementing their due diligence obligations.

A standard may **facilitate collaboration** with enterprises across different stages of the supply chain by establishing shared expectations or communicating expectations across different tiers.

It is worth considering why different actors may consider applying a sustainability standard. Some (non-exhaustive) reasons are presented below:

- A downstream enterprise engages with their upstream suppliers (in some cases perhaps even direct contract with a mine site). The downstream enterprise is important enough as a potential or actual customer that it is able to request that a supplier gain assessment against a particular standard of its choice. It can make its requirements more tangible by reference to a standard.
- A downstream enterprise would like to improve the human rights situation in the upstream supply chain, but does not know where the raw material it sources stems from. The enterprise begins applying a standard to support broader due diligence efforts.
- An enterprise in the supply chain is requested by its customers to illustrate their due diligence efforts but has little visibility beyond tier 1 of its supply chain. It asks strategic tier 1 suppliers to support it by becoming certified according to a specified standard.

- An enterprise is being offered a raw material via a certified supplier (this could be a mine site or any other upstream or midstream supplier) and is unfamiliar with the standard applied. In order to understand which risks the standard actually addresses and if it is credible, the enterprise uses this guide and complementary analytical framework to assess the standard.
- An enterprise proactively chooses to become assessed according to a specific standard in order to increase its value to potential customers or to demonstrate compliance with regulatory obligations in a potential customer's jurisdiction.

Sustainability standards offer a variety of options to different entities depending on their position in the supply chain, support needs and pressures from external stakeholders. There are no fixed rules, but sustainability standards typically offer membership, associate membership and/or certified entity status. Members will usually be downstream companies funding the standard, influencing it and using its resources to support their due diligence. Associate members may only gain access to certain resources or outputs, while **certified entities are usually mid- or upstream entities** that get audited and can demonstrate compliance with a standard's requirements.

Some standards include tools for setting up **chain of custody and traceability systems**. In those standards, the focus is not only on auditing or assessing an upstream entity, but on providing a framework by which to track raw materials throughout the whole supply chain – from mine site to downstream enterprises.

Sustainability standards may support **effective involvement of affected stakeholders** in developing preventative or remedial measures, provided the perspectives of rightsholders are adequately integrated into the standard and its processes.

The sustainability standards landscape is quite complex. The core principles discussed in the section which follows will support informed decision-making processes in your enterprises.

# Core principles for integrating sustainability standards in enterprise business practice

Considering the relevance of sustainability standards in supply chain management as well as their potential limitations is important to understanding how they can be used by companies to support due diligence efforts. The core principles enumerated below aim at supporting the appropriate integration of relevant standards into enterprise business practice.

## Principle 1: Enterprises must retain responsibility

Principle 1 is the overarching principle. Companies **must not** outsource responsibility for human rights due diligence to:

- Suppliers
- Third-party service providers (including technology platforms)
- Voluntary sustainability standards

This principle applies to all enterprises at all levels of the supply chain and is enshrined in normative and regulatory frameworks, such as in the [OECD Due Diligence Guidance for Responsible Business Conduct \(2018, page 17\)](#):

*“Due diligence does not shift responsibilities. Each enterprise in a business relationship has its own responsibility to identify and address adverse impacts. The due diligence recommendations of the OECD Guidelines for MNEs are not intended to shift responsibilities from governments to enterprises, or from enterprises causing or contributing to adverse impacts to the enterprises that are directly linked to adverse impacts through their business relationships. Instead, they recommend that each enterprise addresses its own responsibility with respect to adverse impacts. In cases where impacts are directly linked to an enterprise’s operations, products or services, the enterprise should seek,*

*to the extent possible, to use its leverage to effect change, individually or in collaboration with others.”*

This means that the simple fact of an enterprise applying a sustainability standard **is not equivalent to the enterprise delivering on its due diligence obligation**. A sustainability standard can only support an enterprise in its due diligence activities. This point is also stressed by the Federal Office for Economic Affairs and Export Control (BAFA) in its [guidance “Collaboration in the supply chain between obliged enterprises and their suppliers” \(2023, page 17\)](#):

*“Standards can be an important auxiliary tool to assist obliged enterprises with complying with their due diligence obligations along their supply chains. **They do not, however, generally exempt enterprises from their due diligence obligations.**”*

## Principle 2: Know the supply chain to know the risks

When selecting a standard to apply, but equally for conducting due diligence in general, it is important that **an enterprise understand the risks in its supply chain and that of its suppliers**.

The first step is to understand how an enterprise’s supply chain works and what it entails. In fact, the [National Action Plan for Business and Human Rights \(NAP\)](#) explicitly requires enterprises to consider their entire supply and value chain when conducting a risk analysis as does current and upcoming legislation (see above). To systematically examine risks that may arise at any stage of value creation in the life cycle of a product or the delivery of a service and in business relationships, it is therefore imperative to uncover as much of the supply chain as possible. Once supply chains are known, risks can be identified.

Even if establishing traceability in the supply chain is not feasible, it is important not to simply stop, but to understand the risks associated with a generic supply chain of the raw material in question. That way potential links to adverse human rights impacts can be identified as well as potential measures to try and mitigate these.

Conducting a thorough risk analysis is crucial to selecting the right standard: there is not much point in selecting a sustainability standard that does not address the risks that are present in the enterprise's supply chain. Especially for raw material supply chains, it is important to select a standard that addresses the risks of that specific supply chain.

Further guidance on the coherent implementation of human rights due diligence can be found in the [🌐 Guidelines for the integration of due diligence requirements into business management processes](#) developed by the [🌐 Sector Dialogue Automotive Industry](#).

### Principle 3: How standards may contribute to due diligence

Before joining or recognising a standard, it is essential to understand what sorts of activities the standard can provide that would contribute to a downstream enterprise's individual due diligence efforts. This principle primarily applies to downstream enterprises who become members of a sustainability standard, but all actors need to understand if a standard is relevant to them prior to joining, using it or becoming certified. In fact, potentially certified entities should be careful to ensure they do not become certified although the standard is not relevant to them just because their customers require it.

Based on the five core elements of the NAP, sustainability standards can potentially contribute to enterprise due diligence in the following ways:

- **Policy statement:** Some standards provide templates to help enterprises develop policies. In addition, the existence of a written policy at the respective enterprise is verified.
- **Risk analysis:** In some instances, standards will provide risk mapping tools to members and certified

entities. These may cover sector, country, commodity, or other specific risk information. They are not necessarily specific to the enterprise but can act as an initial reference point for high-level risk analysis. In addition, many standards develop guidance on certain risk areas that are emerging or systemic to a sector. More generally, sustainability standards can also support supply chain transparency, e.g. through chain of custody systems, on-the-ground monitoring or collective knowledge sharing between their members.

- **Measures and effectiveness tracking:** The tool most commonly applied by sustainability standards is audits. More broadly, however, standards can provide guidance on key risks and how to manage them, can coordinate enterprises in addressing systemic issues and can deliver additional monitoring when severe risks are identified. This can include templates for corrective action plans or guidance on how to determine the need for responsible disengagement, etc. However, the effectiveness of audits and corrective action plans in actually generating an impact and addressing root causes (including systemic risks beyond the audited entity or mine site) might be limited and needs to be critically assessed by a downstream enterprise as part of its individual due diligence efforts.
- **Grievance mechanism:** Many sustainability standards provide joint grievance mechanisms accessible to any stakeholder. These should align with UNGP Principle 31 in order to be considered good practice. The relevance of standards for grievance mechanisms has several dimensions: standards can establish their own grievance mechanism, and they can require the establishment of a grievance mechanism on the part of audited entities. In addition to that, standards might aid in assessing the grievance processes of audited entities and in evaluating grievances received.
- **Reporting:** Some sustainability standards provide templates to help enterprises develop due diligence reports. Standards may also support with the publication of reports via their website, or with the distribution of reports to affected stakeholders.

Some sustainability standards may provide other tools and resources, such as for capacity building across all the areas above. It should be noted, however, that not all stakeholders may have access to all tools and



resources theoretically available. For example, members quite often do not receive full audit reports as these are considered the property of auditees, but they are encouraged to request them. Thus, knowing what resources different types of stakeholders can access is a valuable insight.

Further information on how standards contribute to human rights due diligence can be found in the OECD background note [“The role of sustainability initiatives in mandatory due diligence”](#), the [SME Compass tool](#) by the [Helpdesk Business and Human Rights](#) on “What standards can achieve”, and the focus-right Q&A [“Certifications, social audits and supplier management tools”](#).<sup>1</sup>

## Principle 4: Know a standard’s limitations

When assessing a sustainability standard, it is not only important to understand how to best use it and what a particular standard may offer. There are also a number of limitations that an enterprise should be aware of. These could be with regard to audits and the standard itself or to the function standards have for individual enterprises based on their specific needs. Some examples of limitations are described below.

One key example of a **limitation of audits** is that they are a point-in-time review of an enterprise’s management systems. Audits are also highly dependent on the robustness of the audit’s methodology and protocol (e.g. concerning stakeholder engagement) and the quality of implementation at mine-site level by auditors (e.g. regarding independence and expertise). Particularly the area of meaningful involvement of affected communities is a common limitation of audits, which are often conducted under considerable time constraints and depend on the cooperation of the audited entity. Further, it is worth verifying when the audit occurred. Even standards with annual audits can have several years’ lag between published audit results.

Further analysis of standards’ limitations and in particular of social audits can be found in the publications of SOMO [“A piece, not a proxy”](#), Human Rights Watch [“Why social audits can’t fix labor rights abuses in global supply chains”](#) and the Clean Clothes

Campaign’s [“Fig leaf for fashion: How social auditing protects brands and fails workers”](#).

The **limitations of sustainability standards** themselves mostly revolve around the question of credibility. What is the standard’s governance structure and how are perspectives of different stakeholder groups reflected in the standard? Further information on this is discussed in the section below on [credibility of the standard](#).

Besides a general critique of social audits as a tool, there are additional limits a standard may have regarding its **usefulness for downstream enterprises**. In fact, as principle 1 states, it is ultimately an enterprise’s own responsibility to deliver due diligence. As such, a sustainability standard, broadly, should support enterprises in their corresponding endeavours, yet it does not deliver on these obligations for them – and in fact, it cannot. The capacity of a standard to support enterprises’ due diligence is influenced by a variety of factors, which will be examined below in the section [“Criteria to consider when selecting a standard”](#).

When joining a sustainability standard, an enterprise is aligning itself with that standard, however this alone may not be sufficient to meet regulatory expectations or stakeholder needs. Further, it **might not cover all known risks** (i.e. if a standard covers human rights issues but the supplier is in a high-risk area for water stress) (see also principle 2). This means that enterprises must know the scope of the standard they are joining, in what areas it provides support and where its limitations are with regard to building an effective due diligence process.

Finally, some standards require the membership of several actors at different levels of the supply chain while others follow a more hands-off approach. In today’s mineral sector, the most common approach is membership of downstream actors, who fund the standard and use the tools and resources provided, and certification of audited sites, who may also access some or all of the resources available. There is no set rule. What is typically true, however, is that a standard that only offers certification and has only limited contact with certified entities or other stakeholders tends to be less effective and more prone to gaps in its systems.

<sup>1</sup> Full title “Certifications, social audits and supplier management tools. What is their role in companies’ human rights due diligence?”, developed by focusright on behalf of the Swiss National Action Plan for Business and Human Rights (NAP) 2020–2023

Another aspect to note is that while sustainability standards may help to understand which policies and processes are in place, they do not necessarily show how well these are being implemented and the impacts they have. This is a very important point to consider when looking into [↘ \*\*complementing and going beyond the use of sustainability standards.\*\*](#)

Having now examined whether the application of sustainability standards can help enterprises deliver on their due diligence obligations, the criteria presented in the next chapter seek to aid in assessing and selecting potentially suitable standards or identifying necessary complementary measures.

## Criteria to consider when selecting a standard

As indicated above, enterprises need to consider a number of different aspects of the standard before making the decision to apply it. At a macro level, this means understanding what a standard does and what it does not do. This chapter will look at the different **criteria** that underpin this review and will help enterprises determine whether or not applying a standard is the right choice, and, if yes, how to choose between different standards. The following information is based on the insights of the [↘ \*\*analytical framework\*\*](#), introduced in more detail below.

### Criteria 1: Scope

It may seem obvious, but the first step in assessing a standard has to be checking if it meets the enterprise's requirements. This determination is based on the individual enterprise's characteristics and needs and can be made by identifying the following aspects:

- Raw materials covered by the standard
- Tiers of the supply chain covered by the standard
- Whether the standard provides chain of custody certification (CoC)
- Purpose of the standard, e.g.:
  - Assurance: The standard conducts assessments to assure compliance of a product, process, or service with the standard's requirements.
  - Benchmarking: The standard examines how a product, process or service performs against

and is aligned with the standard's sustainability criteria with the aim of achieving continuous improvement.

- Certification: The standard evaluates a product, process or service and gives it formal recognition via a label/certificate.
- Risks covered by the standard (as per principle 2 above)
  - It is important to note that while many of the same risks may be addressed across different standards, there can be significant differences between them with respect to the level of detail and ambition.
- Tools and resources provided and activities delivered by the standard
  - This can also include levels of ambition of the standard, such as if it fosters collaboration, focuses on continuous improvement, etc.
- If the standard has systems in place to recognise other schemes and, if so, how robust are they and what schemes are recognised?
- Does the standard require due diligence measures, such as the five core elements of the NAP or the OECD's six-step framework (policy, risk assessment, risk management, monitoring, reporting and remediation)?
  - If the scheme requires implementation of due diligence measures, are these OECD-aligned and/or which aspects of the OECD framework does it include as part of its requirements?

The aim here is to ultimately gain a comprehensive view on what the standard covers and answer the question of how the standard can contribute to effective due diligence and what its limitations may be (see principles 3 and 4 above).

*These criteria can be assessed by reviewing the standard itself, as well as implementation guidance and manuals.*

## Criteria 2: Credibility

Credibility as a concept can be hard to define. However, in the context of a sustainability standard, the credibility of a standard can be gauged first and foremost by looking at governance structures within the standard. Specifically, some key things to consider are (a full list is included in the associated analytical framework):

- **Governance:** Who is included in the implementation of the standard? Is it industry-led? Industry-led with stakeholder engagement? A multi-stakeholder initiative? Are local and other stakeholders, including affected peoples, involved in the system? And how? In addition to the structure, it is important to look at voting rights for different stakeholder groups to gain an accurate picture of how transparent, effective and efficient the governance structure is and if it includes a balanced representation of stakeholders. Likewise, it is important to check how the standard reviews its own performance; there should be a process in place for learning and improvement of the standard itself.
- **Membership rules:** This looks at how members are managed and can range from reviewing audit processes to ensure they meet good practice expectations to identifying how the standard ensures continuous improvement in its members' operations. It should also include a determination of whether or not sanctions can be placed on members.
- **Engagement on difficult topics:** Sustainability standards have the potential to engage with difficult topics and support enterprises in addressing serious but hard-to-fix risks in their supply chains. A credible standard will have systems in place to deliver on this – be it through engaging with vulnerable groups or sourcing from high-risk areas or collaborating with other standard systems to do so.

- **Grievance mechanism:** Sustainability standards do not have to have a grievance mechanism, but it is increasingly considered good practice to provide members with one. If they do have one, it is essential the mechanism follows the effectiveness criteria of the UNGPs.

*These criteria can be assessed by reviewing a standard's websites and reviewing governance structures and annual reports.*

## Criteria 3: Audit quality

If a sustainability standard offers audits or other forms of assessments to members or other relevant entities that members may want information on (e.g. smelters or refiners in the tin sector), it is important to seek information on the types of audits available to gain an understanding of how much faith can be put in them and the results.

One thing to note, however, is that enterprises should **never rely on audits alone**. Overreliance on audits neither meets legal obligations sufficiently nor does it lead to lasting change due to the limited ability of audits to identify risks and their root causes. Due diligence is an ongoing, dynamic and proactive process that requires direct engagement and collaboration with suppliers, and audits are just one component of this.

Nonetheless, audits and their results can provide end users with invaluable information on supply chain actors relevant to due diligence activities. Further, they can aid with supplier engagement and give insight into where enhanced due diligence is needed.

Audit quality can be determined at a macro level by looking at the following criteria:

- **Publication of complete audit reports:** Rare but is increasingly considered best practice and is key in order to identify how and if risks are being managed, where enhanced due diligence is required and what additional questions should be asked of suppliers. An important factor to consider is also how accessible this information is for affected stakeholders. If such a report is not published, it should raise a red flag that auditees do not want to share reports with members or other relevant stakeholders.

- **Audit methodology:** Helps determine what falls within the scope of the audit, which stakeholders are involved, how different issue areas are assessed and what constitutes non-conformance. This also includes the independence of the auditor (e.g. through independent organisation and financing as well as auditor rotation) and if all relevant actors are consulted during the audit, in particular by triangulating information through interviews with (potentially) affected people or external stakeholders.
- **Auditor quality:** Ranges from auditor selection to auditor rotation and training programme, as well as how audit firms are selected and allows for a judgement of how well prepared and experienced auditors are.
- **Standard's quality management system:** Defines how results are reviewed, errors are picked up and how non-conformances are judged by the standard. If the standard does not have such an oversight system in place, the audit quality has not been judged by anyone except the audit firm and it reduces trust in the report.

*A full list of criteria can be found in the analytical framework (introduced below). Most of these criteria can be evaluated by reviewing audit methodology guidance or assurance frameworks published by the standard.*

## Standard's documents and further references

Although no two standards are the same, there are some documents that are similar across all sustainability standards that should be reviewed in order to assess the criteria noted above. These are:

- **Standard's criteria document:** This is the basic document that lays out the expectations of the standard and is what auditors check against when carrying out audits. It should be translated into several languages to support with cascading expectations throughout a value chain.
  - **Implementation guidance:** This is a supplement to the standard itself and typically offers more details on how enterprises should be implementing the standard. These documents tend to be technical and complex.
  - **Auditor manual(s):** Many standards will have over-
- views of their audit methodologies and audit quality management systems publicly available.
- In addition to the above, most questions on scope and related to governance will be answered by reviewing the website of the standard, its annual reports, news and blogs or publicly available tools, such as a self-assessment spreadsheet and guidance notes on salient or recently identified risks (e.g. if conflict breaks out in a resource-rich region).
- Beyond this, enterprises are advised to look into the actual **implementation** of the standard. A major reason for a standard achieving (in)effective results stems from how its requirements are put into practice by companies and assessed by auditors. The best way to do this is to shadow a site audit or visit sites that have been audited against the standard. However, this can be costly and requires that suppliers, who may be several tiers removed, accept a visitor. In cases where this is not feasible, alternative ways to corroborate and understand audit data should be sought.
- Additional sources of information also exist. The non-exhaustive list below provides further ideas on how enterprises can determine the relevance of a particular sustainability standard for their due diligence activities:
- **Speaking with the standard's oversight body and its members:** This may seem obvious, but enterprises should not hesitate to speak with the standard secretariat themselves, especially with the standard's managers or those organising and reviewing audits. A reputable sustainability standard should allow this and provide transparency on this, as they too need to demonstrate openness to new opportunities and members. Questions and probing are also encouraged after becoming a member of a standard. Speaking to suppliers/companies that have been audited and/or are members might give useful insights.
  - **Consulting NGOs:** While some NGOs may be critical towards the use of sustainability standards in general, many also offer nuanced views. Speaking to NGOs that have published reports on particular standards or sustainability standards in general will help to better understand the strengths and weaknesses of a standard. If possible, local civil society

organisations should be consulted in order to learn about the standard's impact on a local level.

- **Review additional documents:** Companies should read widely about the relevant supply chains to ensure that the standard in question captures the realities of the sector. This can include risk profiles, media and government reports as well as reports by NGOs and local organisations on the sector, the region, the particular mine site and/or sustainability

standards. In particular, negative reports from the past two or three years are important to take note of.

Further information on a selection of the most prevalent sustainability standards in mining can be found in the BGR resource [Sustainability Standard Systems for Mineral Resources. A Comparative Overview – 2022](#).

## Analytical framework



### Analytical framework to assess the fitness of voluntary sustainability standards for human rights due diligence

The framework was co-developed by the project group members and the service provider Kumi Consulting. It is intended as a hands-on working tool that enables users to evaluate sustainability standards against the recommendations set out in the UNGPs, the OECD Due Diligence Guidance for Responsible Business Conduct, and several research studies and relevant tools. It focuses on the fitness of sustainability standards to provide adequate risk management of human rights abuses along the entire value chain including all supplier tiers from raw materials extraction to transportation and trading, processing, (semi-) manufacturing, assembly, etc.

The main purpose is to gain a deeper understanding of a small number of standards that have already been pre-selected and shortlisted by the user's organisation. This should enable the enterprise to either reach a decision on whether or not to join a given standard and to gain a better understanding of the standards used in its supply chain. The framework guides users through assessment criteria based on their own organisation's risk management and encourages users to actively work and engage with a standard's documents to answer for themselves which standard is the most appropriate for their requirements.

This framework aligns with the criteria listed above. There is also a user guide available to support stakeholders in completing the framework.

The [analytical framework](#) is available in full online.

# Complementing and going beyond the use of a standard

Sustainability standards are one component in the toolbox enterprises can use to manage risks to people and the environment in their supply chains. As illustrated above, such standards vary in scope, credibility and implementation. Having analysed sustainability standards in more detail, based on the principles that 1) responsibility for due diligence cannot be outsourced, 2) one must first know the supply chain to know the risks, and 3) sustainability standards may contribute to due diligence provided that 4) the standard's limitations are understood, there might be one question still remaining: What else can enterprises do?

Enterprises should **understand the documents** available and integrate them when exercising their leverage in the supply chain. **Leverage** is defined as the ability to change how others think and behave – for example, suppliers, contractors, business partners, customers, clients or government authorities. Complete audit reports should be **reviewed**, if available, to understand whether complementary measures and **follow-up actions** are necessary.

In the following, **practical actions** are introduced that businesses in the automotive sector can take to prevent and address adverse human rights risks and impacts in their upstream supply chain in ways that complement and go beyond the implementation of sustainability standards and their audits. The part below on building and exercising leverage beyond the use of standards is a brief introduction to the guidance note on complementary measures [🌐 “Beyond audits in copper supply chains: using leverage to prevent and address copper-specific salient human rights issues”](#), commissioned by the project group. It is highly encouraged to take a closer look at the document for practical examples. While the guidance uses copper as an example, its findings are relevant for other mineral supply chains as well.

## Engage with the standard

Efforts for **continuous improvements** of sustainability standards are considered good practice, and as members, enterprises can take an active role in that process. While these may vary, two forms of engagement stand out:

- Participation in the standard-setting process:** Having conducted their own risk assessments of raw material supply chains, enterprises can use this information to improve the standard's requirements in the course of a standard's revision. This may lead to a more nuanced and precise language on particular issues or the uptake of entirely new requirements. Even small changes may have significant systemic effects given broad application across the board of future audits.
- Improvement of effectiveness:** Standards can only contribute to effective due diligence if they are able to incorporate and safeguard voices of affected rightsholders. Ideally, inclusion of stakeholder voices should happen at all levels of decision-making within the standard's governance. Further, audit processes need to uphold a level of transparency that allows affected rightsholders to prepare and interact with the standard and the auditing team. Ideally, standards take an active role and enable such interaction through outreach, adequate materials and trainings. In the interest of creating an effective due diligence instrument, member enterprises can nudge sustainability standards to introduce inclusive processes on all levels.

As the sustainability standard landscape is changing rapidly and new due diligence requirements are continually being introduced, members should remain in good contact with the standard to be up-to-date on changes made and to lobby for needed changes.

## Build and exercise leverage

There are many ways to build and apply leverage to address adverse impacts in mineral supply chains. Overall, it is important to keep in mind that exercising leverage is an opportunity for creativity and focused effort to successfully prevent and address adverse human rights impacts in the supply chain.

- **Traditional commercial leverage** can be exercised through routine activities the enterprise undertakes in its business relationships, such as supplier selection, onboarding and contracting.
- **Broader business leverage** can be exercised by the enterprise through activities that are not routine, such as providing a supplier or other business partner with human rights training or arranging for CEOs or other senior leaders to meet to discuss human rights expectations.

- **Leverage together with business partners** can be exercised collectively with other companies, such as through industry associations.
- **Leverage through bilateral engagement** can be exercised by engaging directly with one or more third parties, such as industry peers, government authorities, trade unions or civil society organisations.
- **Leverage through multi-stakeholder collaboration** can be exercised collectively with diverse stakeholders, such as industry peers, government authorities, trade unions or civil society organisations.

Practical examples on how these different types of leverage are implemented can be found in the Guidance note on complementary measures, introduced in more detail below.

### Guidance note on complementary measures



#### Beyond audits in copper supply chains: using leverage to prevent and address copper-specific salient human rights issues

The guidance was developed by the service provider Levin Sources and commissioned by the project group copper. The aim of the guidance is to suggest practical actions that businesses in the automotive sector can take to prevent and address adverse human rights risks and impacts in their copper supply chains in ways that complement and go beyond the implementation of audits and certification schemes. The core of this guidance note focuses on how mid- and downstream companies in the automotive sector can

build and exercise their leverage to effectively prevent and address severe adverse human rights risks and impacts (“salient human rights issues”) in the copper supply chain. Illustrative examples are included throughout, drawing on experiences from businesses within and beyond the copper supply chain.

While the document focusses on the copper supply chain, its recommendations provide insight beyond copper, as it illustrates actions enterprises can take to prevent and address adverse impacts in upstream mineral supply chains.

The [guidance note](#) is available in full online.

# Recommended additional resources

[An examination of industry standards in the raw materials sector](#) (Germanwatch, 2022)

[Automotive industry heading towards uniform ESG standards for raw materials](#) (Drive Sustainability, 2021)

[Certifications, social audits and supplier management tools: What is their role in companies' human rights due diligence?](#) (focusright, 2023)

[Chain of custody models and definitions: A reference document for sustainability standards systems, and to complement ISEAL's Sustainability Claims Good Practice Guide](#) (ISEAL, 2016)

[Governance of Mineral Supply Chains of Electronic Devices](#) (Germanwatch, 2018)

[Guidelines for the integration of due diligence requirements into business management processes](#) (Federal Ministry of Labour and Social Affairs [BMAS], 2022)

[Guiding Principles on Business and Human Rights](#) (United Nations, 2011)

[ISEAL Briefing Note "Corporate due diligence, sustainability standards and certification"](#) (ISEAL, 2019)

[Making Mandatory Human Rights and Environmental Due Diligence Work for All](#) (European Commission, 2022)

[OECD Due Diligence Guidance for Responsible Business Conduct](#) (OECD, 2018)

[OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#) (OECD, 2016)

[Standards Compass](#) (Agency for Business and Economic Development)

[Standards Map](#) (International Trade Centre)

[Sustainability Schemes for Mineral Resources – A Comparative Overview](#) (BGR, 2022)

[The role of sustainability initiatives in mandatory due diligence](#) (OECD, 2022)



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