

6 STEPS TO PROTECT EV SUPPLY CHAINS FROM THE THREAT OF FORCED LABOUR VIOLATIONS

Unethical forced labour practices remain a significant threat to the global EV industry, with the production of numerous parts including tyres, batteries, electrical components, and even seat cushions, tainted by the practice. In a recent report, researchers from Sheffield Hallam University highlighted that materials originating in China's Xinjiang Uyghur Autonomous Region (XUAR) were particularly likely to be intertwined with forced labour practices.

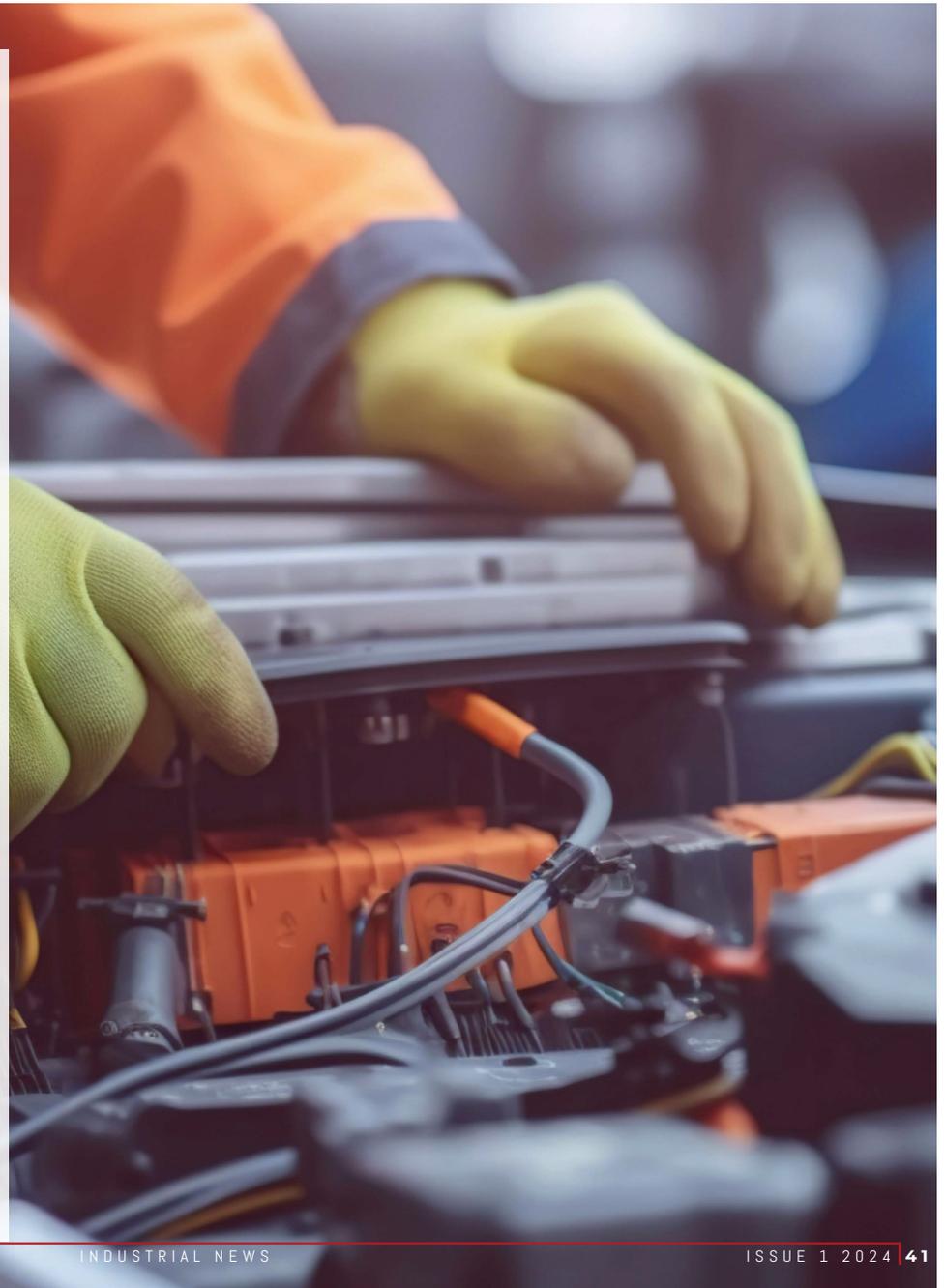
With numerous international auto manufacturers directly or indirectly sourcing iron, steel, aluminium, and copper from China's XUAR, major auto manufacturers such as Volkswagen, Tesla, Toyota, and many others, have faced allegations around suppliers connected to forced labour in the Xinjiang region. Most recently, Volkswagen came under pressure to withdraw from its joint venture in the region after new evidence emerged linking the German carmaker to the alleged persecution of Uyghur minorities. What's more, thousands of VW vehicles, including Porsches, Audis, and Bentleys, have been impounded at ports across the US as they contained a single component manufactured by a supplier sanctioned for using forced

labour in China.

With such a widespread impact, supply chains across the global EV industry could certainly be compromised. Furthermore, Resilinc's AI monitoring solution, EventWatchAI, identified year-over-year increases in forced labour warnings within supply chains: Legal Action alerts in the auto industry, including human rights violations, increased by 68% from 2022 to 2023.

This has prompted countries to enforce new regulations to combat forced labour; the United States' Forced Labor Prevention Act (UFLPA), as well as the EU's Corporate Supply Due Diligence Directive (CSDDD), are the two most wide-reaching directives that require companies to ensure their supply chains are compliant with environmental, social and corporate governance (ESG) requirements.

So can organisations safeguard their supply, reputation, and bottom line? This article outlines an effective supply chain strategy to achieve this, with six steps that EV manufacturers can follow to ensure their associated supply network is as compliant as possible.



1 Mapping is crucial to supply chain visibility

By employing autonomous AI mapping and supplier-validated mapping, auto manufacturers can gain comprehensive visibility over their supply chains. This provides deep insights into multi-tier supply networks which is crucial to identifying which suppliers are operating in high-risk regions such as XUAR and how far down the supply chain this goes. This enables automakers to discover if there are any sanctioned suppliers in their network, at which point an alternative compliant supplier can be found.

2 Validate compliance and assess ESG risk

With the introduction of the UFLPA and the CSDDD, validating supply chains to ensure fair labour practices is quickly becoming a necessity. And given how interconnected auto supply chains are, these directives will certainly impact EV manufacturers outside the US and the EU too.

That is why assessments, ESG evaluations, and custom compliance assessments are crucial to building direct communication with suppliers so that any violations or concerns can be addressed accordingly. Not only is this a more collaborative approach, but it is also a transparent and effective way to halt forced labour in supply chains.

3 Quantify the risk and highlight vulnerable suppliers

Through using assessment scores to quantify the level of compliance from each supplier, automakers can better prioritise which suppliers are most vulnerable to forced labour violations, which are often found in the sub-tier levels of an automaker's supply chain. This means supply risks are easier to spot and suppliers with robust management practices can be commended.

4 Work with suppliers to reduce exposure

Joint plans with suppliers are an essential method for reducing and halting exposure to forced labour violations within supply chains. Such a plan should factor in training for workers, a plan for remediation if forced labour violations are identified, and sanctions for suppliers that do not follow procedures.

Auto manufacturers should also provide guidance, resources, and support to suppliers who will in turn help to verify their products and materials are fully ESG compliant.

5 Track progress through active monitoring

Tracking the progress of suppliers' implemented mitigation plans is especially important if gaps in compliance are to be fully closed in the long-term. Active monitoring will ensure EV manufacturers can verify that suppliers are maintaining compliant practices - consistent communication and



collaboration are fundamental to reducing any forced labour risks in the long-term.

6 Monitor disruptions through AI

The use of AI within supply chain monitoring allows automakers to be warned in advance of potential labour violations (as well as ESG violations more generally) within their supply chains. In the event of a violation, real-time alerts and notifications are issued, meaning automakers can proactively address any emerging concerns in advance of more significant and widespread disruption.

The rise in the number of forced labour violations has rightly prompted governments across the world to implement more regulations to combat the growing issue. With several laws already passed, enforcement is the next step, so it is essential for EV manufacturers to take a proactive approach to increase visibility over their supply networks.

Automakers must also ensure they assess their risk, quantify vulnerability, reduce exposure, actively track progress, and monitor for potential labour violations. These steps will best enable them to minimise their risk from forced labour violations, made possible through greater collaboration with suppliers and better use of technology.

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