CORPORATE RESPONSIBILITY

Our Indian mica supply chain

As a signatory of the United Nations Global Compact, our company strongly opposes and is actively engaged in eliminating child labor. Our Human Rights Charter underscores our commitment to respecting and protecting human rights. We demand that our suppliers act accordingly, stipulating in our contracts that they do not employ children.
Responsibility is one of the core values of our company: We live up to our responsibility each and every day. And we know that with strong partners we can achieve more. We have been a UN Global Compact participant since 2005. As a signatory of this initiative, we commit ourselves to ten principles based on key UN conventions regarding human rights, labor standards, environmental protection, and anti-corruption. At the same time, the UN Global Compact encourages the signatories to actively engage in promoting these principles within their own sphere of influence. We report annually on how we implement these principles.

We are a signatory to the Responsible Care initiative of the chemical industry. Responsible Care activities are a central element of our sustainable company management. In implementing the Responsible Care Global Charter, we focus particularly on product safety, environmental protection and occupational safety.
Our company procures many raw materials, packaging materials, technical products, components, and services, which we source from more than 64,000 suppliers in over 145 countries. One of the goals of our supplier management is compliance with fundamental environmental and social standards, alongside high quality, delivery reliability, and competitive prices. To achieve this, we have introduced relevant strategies, processes, and guidelines that we are continuously improving to prevent violations of supply chain standards. For instance, we regularly request self-disclosures from vendors and initiate supplier audits. In an effort to enhance this process and drive sustainability, we are a member of the Together for Sustainability (TfS) initiative. Developing and emerging countries are becoming increasingly important to us as sourcing markets. Our responsibilities there are as important as anywhere else in the world.

AT THE SOURCE
Looking beyond ourselves
GREATER EFFORTS
For a more sustainable supply chain

Our overarching goal is to protect the stability of our supply chains and always provide our customers with the best possible products and services at optimal quality. In our fast-paced world, we believe that secure supply chains are the key to our success. We expect all of our suppliers and service providers to comply with environmental and social standards, which are primarily derived from the core labor standards of the International Labour Organization (ILO) and the UN Global Compact. Moreover, we support the Compliance Initiative of the German Association for Supply Chain Management, Procurement and Logistics (BME) and have endorsed the BME Code of Conduct. Our Group Procurement Policy stipulates our expectations for our suppliers and specifies how we monitor compliance of our standards. This policy further reflects both internal and external guidelines, such as our Code of Conduct, our Human Rights Charter, our EHS Policy (Environment, Health and Safety Policy), and ISO 14001. In our Responsible Sourcing Principles, we set out our expectations for our suppliers in terms of corporate responsibility and formally oblige them to apply these standards to their own vendors. Whenever legal frameworks are modified, we incorporate these changes and initiate the appropriate measures where necessary.
Mica is the primary raw material of our effect pigments, which are used in applications such as automotive and industrial coatings, as well as in the cosmetics and food industries. Due to its specific characteristics, it lends products an alluring sheen. We also use mica as a raw material for our functional filler portfolio. The mineral naturally occurs in many countries around the world. Our company mainly procures its mica from India, where it is mined and processed in the states of Jharkhand and Bihar. Plagued by political instability and poverty, child labor is still widespread in this region. In addition, compliance with legal regulations and safety and environmental standards is poorly developed. Moreover, there is only limited access to education and health care. The living conditions in Jharkhand and Bihar offer the ideal breeding ground for child labor, child trafficking, and early marriages.

These two states are among the poorest regions in India, and the literacy rate and the number of children attending school are far below the country’s national average, according to a 2016 study by Terre des Hommes and SOMO (Centre for Research on Multinational Corporations). However, we have intentionally decided to maintain our business relationships in eastern India. In fact, we have taken on responsibility for the region – we aim to create and preserve jobs and improve the living conditions of workers and their families. We have taken special measures to ensure compliance with our environmental and social standards. We flatly reject child labor and advocate for safe working conditions for mine workers. In addition, we support educational and health projects that improve the lives of families in the mining areas. The high acceptance of these offers by the local population shows how important this approach is.
In order to fight child labor in mica mining in India, our company has established direct business relationships with mica processing companies. Unlike in the informal gatherer environment, we have considerably more influence in this formal work environment. Moreover, we have introduced control mechanisms that provide a comprehensive overview of the entire supply chain.

We have taken various measures to safeguard the implementation of social standards:

- We have completely reorganized our supply chain and have established direct relationships with suppliers in the region.
- By means of audits, we strictly monitor the compliant behavior of our partners, who have agreed to adhere to the principles of our Human Rights Charter as well as the requirements of our Responsible Sourcing Principles.
- Comprehensive annual audits performed by the independent organization ERM (Environmental Resource Management) include the control of relevant documentation, workers’ ages, working hours and wages, as well as compliance with environmental, safety, and health standards.
- The non-governmental organization IGEP (Indian German Export Promotion Program) conducts unannounced and frequent control visits (at least twice per month at various sites) in order to monitor compliance with our standards and continuous improvement programs that might result from ERM audit findings.
- Local employees of our Indian subsidiaries inspect the suppliers at regular intervals.

We are fully aware of the challenging situation in eastern India. However, by constantly learning and assessing the sourcing conditions, we have developed a continuous improvement process. Employees in our Kolkata office are in contact with our project partners and other advocacy groups.
We keep interested customers and other stakeholders regularly informed on our mica sourcing activities. The employees in our Jharkhand office are in contact with our project partners and other advocacy groups, as well as local and national authorities. In February 2016, we attended the Mica Summit in Delhi, hosted by the Natural Resources Stewardship Circle (NSRC). As a partner of this initiative, we also helped to organize the event. As a follow-up to this summit, we have become involved in the Responsible Mica Initiative.

We are constantly evaluating other sources for mica in India and have also found additional sources of mica outside of India that meet our stringent quality, social, and environmental standards. For example, we have established Brazil as a second source for mica. Furthermore, to provide an alternative to pigments based on natural mica, we also manufacture effect pigments based on synthetic substrates.
STRONGER TOGETHER
The responsible mica initiative

Committed to sourcing mica from India, we joined the Responsible Mica Initiative (RMI) in February 2017 as a founding member in order to contribute and share best practices within this initiative. Our company is convinced that only joint efforts to set industrial standards for compliant mica sourcing will support the sustainable production and trade of raw mica from Jharkhand and Bihar. We are therefore engaged in the initiative and actively support its action groups on Traceability & Specification, Community Empowerment and Communication, as well as the steering board of RMI. We assumed the presidency of RMI in January 2018.

It is now time to broaden RMI’s efforts. Over the next five years, the RMI aims to eradicate child labor and unacceptable working conditions in the entire Indian mica supply chain by joining forces across industries. To find out more about the Responsible Mica Initiative and the latest activities of its action groups, please see:

www.responsible-mica-initiative.com
In order to improve living conditions for families in the region, we have not only reorganized our mica supply chain but have also joined forces with our local partner IGEP to initiate important social projects. The mutual goals are to improve access to health care and to provide children with prospects for schooling and a career:

- In the villages of Tisri, Barkitand, and Saphi, more than 500 pupils attend our schools. Their lessons include instruction on hygiene and health. In order to extend quality education in the area, six classes were established by 2018. In the schools at Barkitand, Saphi, and Tisri, adolescents also receive vocational training in carpentry or tailoring, complemented by courses at two tailoring centers. Furthermore, we support a fourth school in Koderma with scholarships for 200 pupils.

- We established a health center in Saphi, which employs two medical professionals who provide medical care at the schools. In addition, they visit villages in the vicinity.

Our efforts have not gone unnoticed. For example, the 2016 SOMO study noted that, compared to other mica importers, our company has implemented by far the best measures to eliminate child labor from the supply chain while improving the conditions for people living in the mining regions. We are also participating in other multi-stakeholder dialogues and initiatives to improve the living and working conditions in the mica region.
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