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Investing in Supplier & Employee Well-Being in the Auto Industry: Proposed Benefits & Monetization Methods

November 2025



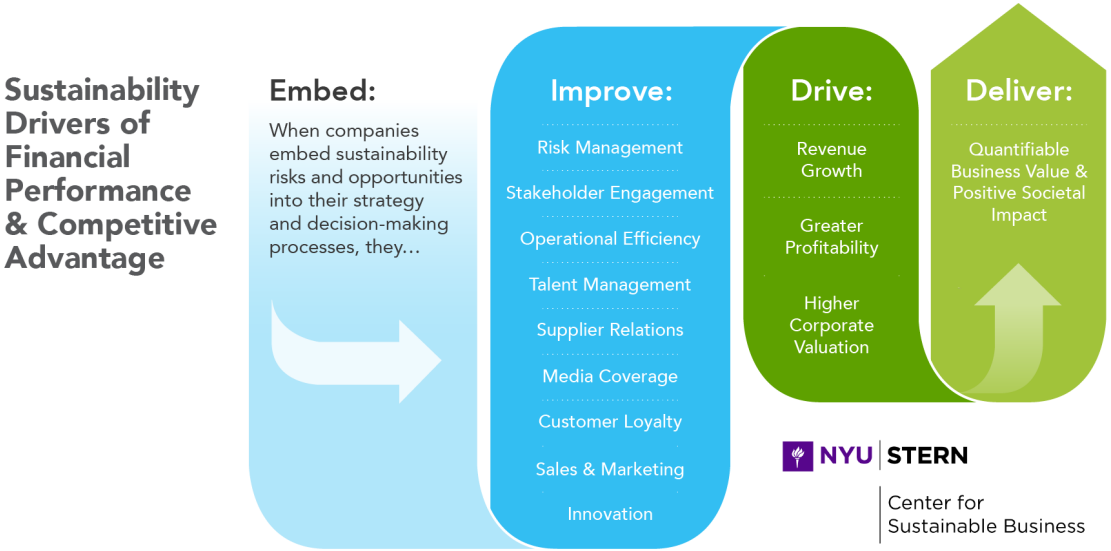
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ROSI™ Framework

Return on Sustainability Investment (ROSI™) Framework



By embedding ESG risk and opportunities within core business strategy, the return on sustainable investment can be quantified, delivering the possibility of both financial value and positive societal impact.

Overview of Auto Industry Framework

NYU Stern CSB is developing a ROSI™ framework for the auto industry with publicly available monetization tools to help the industry understand where and how sustainability can unlock financial value.

Based on research, experience, and engagement with industry leaders, we have identified the following sustainability strategies* used by the industry to include in the framework:

- Mitigate & Adapt to Climate Change
- Waste Management
- Water Management
- Chemical Management
- Support Electrification Ecosystem
- Circularity
- Cyber Security
- Sustainable Sourcing
- Driver Safety
- Supplier and Employee Well-Being

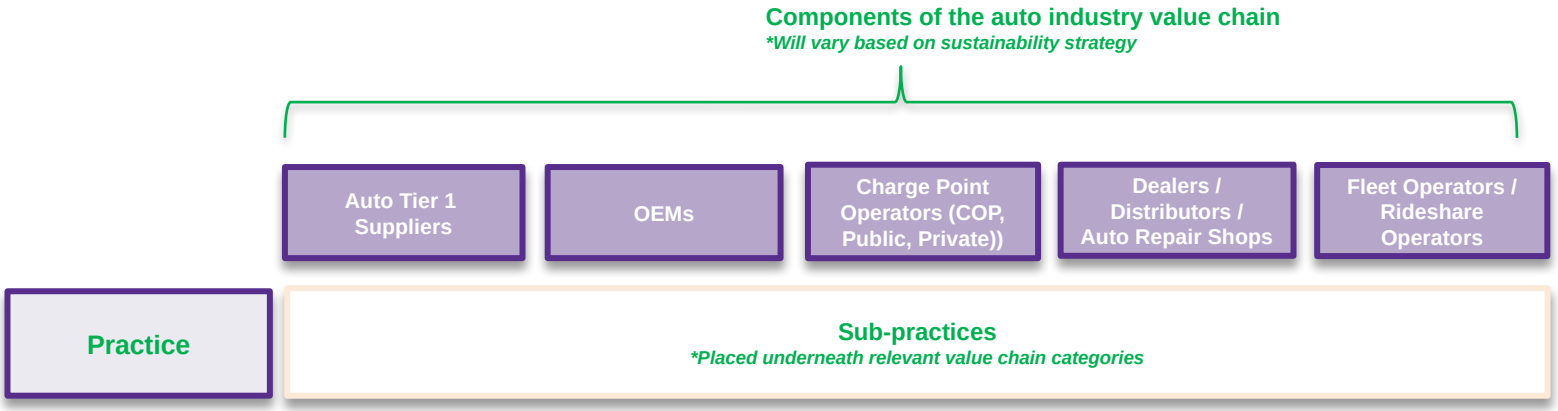
Identified Sustainability Practices and Sub-Practices

Framework Layout

Through our research, we identified key sustainability practices and sub-practices that auto industry value chains are using to achieve their sustainability goals.

- **Each practice is broken into sub-practices, which are mapped to the relevant components of the value chain (and excluded where not applicable).**
- **Benefits are mapped to sub practices, with some benefits appearing across multiple practices.**
- **Specific compliance or enforcement policies are not listed in this framework, except for the new Cross Border Adjustment Mechanism regulations.**

The diagram below illustrates the framework applied for each strategy in the following slides



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Investing in Supplier & Employee Well-Being

Investing in Supplier & Employee Well-Being

	Auto Tier 1 Suppliers	OEMs	Charge Point Operators	Dealers / Distributors / Auto Repair Operations	Fleet Operators / Rideshare Operators
Ensure Fair Compensation	Ensure equitable and transparent compensation (such as intersectional pay equity analyses, standard pay structures and minimum earnings guarantees, tech-enabled monitoring, and equity-driven talent processes, published pay bands, joint wage-setting, and safe grievance channels)				
	Adjust wages to ensure employees are paid fairly relative to the market and industry standards and at or above independently-verified living wage benchmarks in each geography				
	Work with suppliers to improve living wages (such as supporting supplier profitability by aligning purchasing practices - prices, lead times, volumes)				
	Support collective bargaining arrangements (such as non-interference and neutrality, affirmative facilitation, coverage of new facilities and JVs, and extending to suppliers)				
	Ensure fair treatment of temporary, agency, and contract workers (such as pay parity for equal work, limits on “permatemping,” and pathways to direct employment)				
	Integrate “just transition” safeguards into wage and benefit policies (such as income protection, severance, and redeployment support during plant closures or technology shifts)				

Investing in Supplier & Employee Well-Being (continued)

	Auto Tier 1 Suppliers	OEMs	Charge Point Operators	Dealers / Distributors / Auto Repair Operations	Fleet Operators / Rideshare Operators
Improve Working Conditions	Set standards and supplier code of conduct to ensure no human rights violation in the supply chain				
	Monitor and report compliance with human rights policies through company or third-party auditing				
	Prevent health and safety issues through improved internal practices and policies				
	Prevent health and safety issues through improved internal practices and policies (such as but not limited to compliance with OSH, OSHA, NFPA, and ISO standards)				
	Establish partnerships (such as with government, workers, suppliers, and NGOs) to prevent human rights violations and improve worker safety				
Improve Workforce Diversity	Train and incentivize managers to hire and provide more diversity and inclusivity				
Increase Employee Training and Engagement	Invest in training and worker skills (such as comprehensive onboarding, technical and technological training, DEI training, leadership training, just transition training and retraining)				
	Implement health and safety trainings, track measures on-premise, and improve worker safety as needed				
Improve Benefit Programs	Provide fair non-wage compensation, including benefits (health, retirement, paid leave), overtime premiums, and flexible/stable scheduling (such as remote or hybrid, compressed work weeks, etc.)				

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Monetization Approach

Investing in Supplier & Employee Well-Being

Overview of Sustainability Strategy and Relevant Value Drivers

Sustainability Strategy Definition

Supplier & Employee Well-Being

Auto industry companies are advancing supplier & employee well-being by advancing fair compensation, preventing human rights violations across the supply chain, improving employee training, engagement, workforce diversity, and benefit programs. Key actions include using closing equity pag gaps, promoting flexible schedules and collective bargaining arrangements, working across the supply chain on improving living wages, health, safety and human rights issues, including monitoring and reporting. Additional actions include bolstered employee training and incentivising managers, and investing in direct and indirect employee benefits.

The following slides focus on the benefits and relevant value drivers derived from the *Supplier & Employee Well-Being* strategy

Relevant Value Drivers	**Benefits that…**
Operational Efficiency (OE)	Optimize corporate and supply chain efficiencies to lower cost and increase profits
Risk Management (RM)	Encourage risk mitigation and resilience within the value chain
Talent Management (TM)	Attract and retain high-quality internal talent
Stakeholder Engagement (SE)	Improve goodwill among the broader stakeholder community (i.e. investors, NGOs)

Investing in Supplier & Employee Well-Being

Overview of Sustainability Strategy and Relevant Value Drivers (continued)

The following slides focus on the benefits and relevant value drivers derived from the *Supplier & Employee Well-Being* strategy

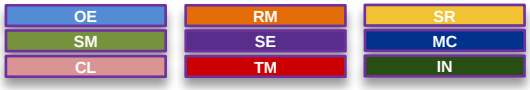
Relevant Value Drivers	**Benefits that…**
Supplier Relations (SR)	Improve upon the relationships between the company and its suppliers

Value Drivers not Captured in this Strategy

Customer Loyalty (CL)	Attract an increasing community of conscious buyers & consumers, while reducing retention costs
Media Coverage (MC)	Increase a company's media presence with the development of traditional and social media content
Innovation (IN)	Create new revenue streams using sustainable business models
Sales and Marketing (SM)	Increase volume of sales through brand and marketing policies

Investing in Fair Compensation

Overview of Benefits and Monetization Methods



Value Drivers based on color coding illustrated on previous slides

Practice	Sub-Practice*	Proposed Benefits	Value Driver	Suggested Monetization Methods
Ensure Fair Compensation	Close pay equity gap across workforce Adjust wages to be paid fairly Work with suppliers to improve living wages Support collective bargaining arrangements Ensure fair treatment of temporary, agency, and contract workers Integrate "just transition" safeguards	Improved **employee relations** leading to increased productivity, lower turnover rates and ability to attract a higher quality workforce	TM, OE	Measure impact on employee productivity (revenue per employee, profit per employee, cost per day) and the ability to attract and retain the best talent (turnover, % of high performers) to quantify the benefit. See Employee Wellbeing Monetization Tool for detailed metrics
		Mitigated **reputation risk** and related costs (such as labor-focused scandals, PR expenses, etc.)	RM	Assess the costs related to reputational scandals using historical information or comparable proxies. Cost assessment may include potential sales impact, and legal or management time costs associated with legal action against the company (use historical data from past lawsuits, and/or publicly available data on settlement costs. If no historical data exists, determine a range of potential costs via the legal and communications teams). Estimate the reduced probability of a scandal after implementing fair compensations practices and measures and multiply by the costs to quantify the benefit
		Reduced risk of strikes and **operational disruption** and related costs	RM, OE	Calculate the number and average cost of historical strike disruptions related to noncompliance or employee compensation disputes or events. Estimate the reduction in likelihood of an event due to the practice or measures implemented and multiply by average costs to quantify the benefit

*Each Sub-Practice has the potential to drive all benefits.

Investing in Preventing Human Rights Violations

Overview of Benefits and Monetization Methods

Practice	Sub-Practice*	Proposed Benefits	Value Driver	Suggested Monetization Methods
Improve Working Conditions	Set standards and supplier code of conduct to ensure no human rights violation in the supply chain Monitor and report supplier compliance with human rights policies through company or third-party auditing Prevent health and safety issues through improved internal practices and policies Eliminate health and safety issues and human rights violations (such as child, forced labor, poor working conditions) including using government, workers, suppliers, and NGO partnerships to eliminate human right violations Establish partnerships (such as with government, workers, suppliers, and NGOs) to prevent human rights violations and improve worker safety	Mitigated **regulatory risk** and related costs (such as fines, legal fees, etc.)	RM	Assess the probability and average cost (fines, administrative costs, cost of production delays, legal/PR expenses) of a health and safety or human rights regulatory violation based on historical data or relevant proxies. Estimate the reduction in probability of a violation due to implementing the changes (supplier standards and code of conduct, monitoring and reporting, partnerships with NGOs or government, etc.). Multiply the probability reduction by the average costs to quantify the benefit
		Mitigated **reputation risk** and related costs (such as sustainability-focused scandals, PR expenses, etc.)	RM	Assess the costs related to reputational scandals using historical information or comparable proxies. Cost assessment may include potential sales impact, and legal or management time costs associated with legal action against the company (use historical data from past lawsuits, and/or publicly available data on settlement costs. If no historical data exists, determine a range of potential costs via the legal and communications teams). Estimate the reduced probability of a scandal after implementing fair compensations practices and measures and multiply by the costs to quantify the benefit
		Reduced risk of **supply disruption**	RM, OE	Calculate the number and average cost of historical disruptions related to noncompliance or employee compensation disputes or events, or health and safety issues. Estimate the reduction in likelihood of an event due to the practice or processes being implemented and multiply by average costs to quantify the benefit

*Each Sub-Practice has the potential to drive all benefits.

Investing in Preventing Human Rights Violations (continued)

Overview of Benefits and Monetization Methods

Practice	Sub-Practice*	Proposed Benefits	Value Driver		Suggested Monetization Methods
Improve Working Conditions	Set standards and supplier code of conduct to ensure no human rights violation in the supply chain ——— Monitor and report supplier compliance with human rights policies through company or third-party auditing ——— Prevent health and safety issues through improved internal practices and policies ——— Eliminate health and safety issues and human rights violations (such as child, forced labor, poor working conditions) including using government, workers, suppliers, and NGO partnerships to eliminate human right violations ——— Establish partnerships (such as with government, workers, suppliers, and NGOs) to prevent human rights violations and improve worker safety	Savings from improved **supplier relations** and enforced **supplier practices** leading to fewer disputes and lower costs	SR	OE	Measure the impact of the practice implementation on vendor management and contract administration costs (legal costs, accounts payables staffing), working capital, and inventory management (improved delivery times, lower buffer stock) to quantify the benefits
		Collaboration with partners and across the supply chain on health and safety, and human rights programs and practices can support savings related to improved compliance and reduced admin costs	SE	OE	Calculate current compliance and admin costs per unit of production before and after implementing third party programs. Multiply the difference by the units produced to quantify the benefit

*Each Sub-Practice has the potential to drive all benefits.

Investing in Workforce Diversity & Employee Training and Engagement

Overview of Benefits and Monetization Methods

Practice	Sub-Practice*	Proposed Benefits	Value Driver		Suggested Monetization Methods
Improve Workforce Diversity	Train and incentivize managers to hire and provide more diverse and inclusive	Improved **employee relations** leading to increased productivity, lower turnover rates and ability to attract a higher quality workforce	TM	OE	Reduction in number of employees lost to voluntary turnover versus a historical average and multiplied by number and margin on lost sales per person plus the average costs per person for workforce diversity measures and training. Operating income impacted by reducing the saving of annual SG&A costs to improve working conditions and annual wage increase for existing workers.
Increase Employee Training and Engagement	Invest in training and worker skills (such as comprehensive onboarding, technical and technological training, DEI, training, leadership ~~training~~)	Improved **employee relations** leading to increased productivity, lower turnover rates and ability to attract a higher quality workforce	TM	OE	Reduction in number of employees lost to voluntary turnover versus a historical average and multiplied by number and margin on lost sales per person plus the average costs per person for employee training and engagement. Operating income impacted by reducing the saving of annual SG&A costs to improve working conditions and annual wage increase for existing workers.
	Implement health and safety trainings, track measures on-premise, and improve worker safety as needed	Reduced risk of **liability** associated with incidents	RM	TM	Assess the probability and average cost (fines, administrative costs, cost of production delays, legal/PR expenses) of a health & safety regulatory violation based on historical data or relevant proxies. Estimate the reduction in probability of a violation due to implementing the changes (employee trainings, improved employee incident tracking, and improved worker safety). Multiply the probability reduction by the average costs to quantify the benefit

*Each Sub-Practice has the potential to drive all benefits.

Investing in Employee Benefits Programs

Overview of Benefits and Monetization Methods

Practice	Sub-Practice	Proposed Benefits	Value Driver		Suggested Monetization Methods
Improve Benefit Programs	Invest in employee benefits including but not limited to healthcare, 401k, flexible scheduling (such as remote or hybrid, compressed work weeks, etc.)	Improved **employee relations** leading to increased productivity, lower turnover rates and ability to attract a higher quality workforce	TM	OE	Reduction in number of employees lost to voluntary turnover versus a historical average and multiplied by number and margin on lost sales per person plus the average costs per person for additional employee benefits, direct and indirect. Operating income impacted by reducing the saving of annual SG&A costs to improve working conditions and annual wage increase for existing workers.



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