

Human Rights Impact Assessment Lear Corporation - 2020

Resolved: Shareholders request that Lear Corporation (Lear) publish a report, at reasonable cost and omitting proprietary information, with the results of a Human Rights Impact Assessment examining the actual and potential human rights impacts of the company's high-risk business activities in its operations and value chain.

Whereas: Lear is a leading supplier of seating and electrical power management systems (E-Systems) to the automotive industry. Lear's global footprint encompasses 261 facilities in 39 countries, including 145 manufacturing sites in 22 "low cost countries."¹ Lear manages complex extended supply chains for raw materials, which may lack transparency and accountability. Business relationships in regions with weak rule of law, corruption, conflict, or poor worker protections may expose Lear to significant human rights risks.

Lear does not disclose its high-risk sourcing countries and commodities or the salient human rights risks in its operations and value chain.

The leather supply chain includes livestock raising, cleaning and trimming of hides, tanning, and final manufacturing. Child labor, forced labor, and hazardous working conditions are well documented in cattle ranching, particularly in Brazil.² Clearing land for cattle pastures is the primary driver of deforestation, accounting for 80% of forest loss in the Amazon. Deforestation also contributes to displacement of indigenous peoples, violence against human rights defenders, and climate change. Lear is one of the top 20 companies with significant market leverage to reduce deforestation in Brazil.³

Lear may source leather from countries such as Bangladesh, Pakistan, and Vietnam, where leather may be processed under conditions of child labor.⁴ Workers and communities also face exposure to hazardous materials and chemicals, such as chromium used in leather tanning, that may cause respiratory illnesses or cancer.⁵

Lear also faces human rights risks in its operations. The labor-intensive assembly of E-System products takes place in countries with low wages and risks of poor working conditions.⁶ Lear has many E-Systems facilities in China, where forced labor and child labor risks are present in electronics manufacturing.⁷ Lear cites risks of labor disputes in its plants. For example, Lear fired a whistleblower and threatened and harassed employees at its Selma, AL plant who spoke to federal investigators about health and safety concerns.⁸

¹ <http://ir.lear.com/static-files/b892dd63-41ac-4966-9c29-1147d576acb1>

² <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>;

<https://www.cnn.com/2017/04/26/americas/brazil-amazon-slavery-freedom-project/index.html>

³ <https://medium.com/global-canopy/tackling-deforestation-risk-in-brazilian-cattle-exports-20-key-companies-in-china-327ceb592bba>

⁴ <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

⁵ https://drivesustainability.org/wp-content/uploads/2018/07/Material-Change_VF.pdf

⁶ <http://ir.lear.com/static-files/b892dd63-41ac-4966-9c29-1147d576acb1>

⁷ <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

⁸ <https://uaw.org/feds-charge-alabama-hyundai-supplier-with-obstructing-health-and-safety-investigation/>

Lear has a Supplier Sustainability Policy and Code of Business Conduct and Ethics, but investors and customers are unable to evaluate the extent to which these policies address its most salient risks. Lear also lacks a No Deforestation policy.

Lear may face legal, reputational, competitive, and financial risks if the company fails to effectively assess and manage its human rights risks, such as the risk of enforcement actions by U.S. Custom and Border Protection that interfere with business continuity.

Under the UN Guiding Principles on Business and Human Rights, companies have a responsibility to respect human rights within their operations and throughout their value chains by conducting due diligence to assess, identify, prevent, mitigate, and remediate adverse human rights impacts.