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Auditing by RCS Global: Detailed Findings

The supply chains of all battery cell suppliers to Mercedes-Benz are assessed at all tiers, from battery cell supplier to mine site, by RCS Global. This document provides an overview on the findings to date. For further information please visit www.daimler.com/sustainability/human-rights/supply-chain/cobalt.html

Year 1 Audit Findings

OECD 5 Step Framework

- Low performance across all tiers due to the fact that it was the very first time for most suppliers to receive due diligence audits.
- Refiners, as the choke points of downstream suppliers, scored the lowest and also showed low performance regarding OECD 5 Steps mostly due to the inability to have all of their suppliers identified and their choke points (treatment unit) audited by a third party.
- Refiners are encouraged to identify all suppliers in their supply chain so that all upstream suppliers and countries of origin could be identified.

Human Rights

- Many companies did not have relevant systems in place for human rights issue prevention.

Health and Safety

- Cathode suppliers performed best while mine sites show lowest scores.

Material Control

- Treatment unit (crude refiners) showed low performance due to transaction records discrepancies and lack of processes for material control. However, risks are limited if the treatment units source exclusively from its own mine site(s).

Ethics and Transparency

- The vast majority scored high on ethical transparency and disclosed information to the auditors.

Year 2 Audit Findings:

Across all tiers, suppliers show progress. Compared with audit results of Year 1, scores of Refiner increased by 75%, Battery cell supplier 34%, Cathode supplier 18%, and Treatment Unit 43%. For mine sites, there is not enough data available, as we are following a sequential audit process that is ongoing.

Training courses:

- In total 27 training courses, including 3 re-training courses, were conducted.

Corrective Action Plans (CAP):

- In total 83 CAPs were sent, and 52 (63%) of CAPs are closed.

Rightsholder interviews:

The primary purpose of the rightsholder consultation is to include the rightsholders' "voice" and to provide additional data inputs to the audit triangulation process, which consists of the auditor using various sources of data inputs to reach an audit conclusion including document review, staff and worker interviews and physical observation.

In total 8 rightsholder consultations have been conducted, 7 consultations for Year 1 initial audits and 1 consultation for a Year 2 re audit. Apart from providing insight for the audit triangulation process, the rightsholder interviews with workers and community members conducted to date providing insight into existing and additional risks, which led to the subsequent amendment of the mining supplier audit questionnaire. Specifically the following aspects were identified, that can pose potential risks:

- Little understanding of due diligence management systems and risks and training on issues like child labour;
- Occupational Health and Safety (OHS) related risks;
- Security forces with potential adverse impacts on human rights;
- Risks relating to corruption and financial crime (e.g. bribery of security guards to gain access to tailings; delay in payment of royalties to local communities);
- Little or no community engagement by mining companies;
- Lack of access to basic services (e.g. water) for the local community as a result of mining operations;
- Disruption to local livelihoods as a result of mining operations (e.g. access to fields for farmers)

As a result, the requirements in the mining supplier audit questionnaire were revised to incorporate:

- An assessment of additional material risks in the upstream cobalt context through modules on legitimacy, public and private security forces, community health and safety, and bribery;
- The rightsholder community questionnaire was updated with questions on community health and safety.

Further information on Daimler is available on the Internet:

www.media.daimler.com and **www.daimler.com**

Daimler at a Glance

Daimler AG is one of the world's most successful automotive companies. With its Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility divisions, the Group is one of the leading global suppliers of premium and luxury cars and one of the world's largest manufacturers of commercial vehicles. Daimler Mobility offers financing, leasing, fleet management, investments and insurance brokerage, as well as innovative mobility services. The company founders, Gottlieb Daimler and Carl Benz, made history by inventing the automobile in 1886. As a pioneer of automotive engineering, Daimler sees shaping the future of mobility in a safe and sustainable way as both a motivation and obligation. The company's focus therefore remains on innovative and green technologies as well as on safe and superior vehicles that both captivate and inspire. Daimler continues to invest systematically in the development of efficient powertrains – from high-tech combustion engines and hybrid vehicles to all-electric powertrains with battery or fuel cell – with the goal of making locally emission-free driving possible in the long term. The company's efforts are also focused on the intelligent connectivity of its vehicles, autonomous driving and new mobility concepts as Daimler regards it as its aspiration and obligation to live up to its responsibility to society and the environment. Daimler sells its vehicles and services in nearly every country of the world and has production facilities in Europe, North and South America, Asia and Africa. In addition to Mercedes-Benz, the world's most valuable luxury automotive brand (source: Interbrand study, 20 Oct. 2020), and Mercedes-AMG, Mercedes-Maybach, Mercedes-EQ and Mercedes me, its brand portfolio also includes commercial vehicle brands Mercedes-Benz Trucks Freightliner, Western Star, BharatBenz, FUSO, Setra and Thomas Built Buses as well as the brands of Daimler Mobility: Mercedes-Benz Bank, Mercedes-Benz Financial Services, Daimler Truck Financial and Athlon. The company is listed on the Frankfurt and Stuttgart stock exchanges (ticker symbol DAL). In 2020, the Group had a workforce of around 288,500 and sold 2.8 million vehicles. Group revenues amounted to €154.3 billion and Group EBIT to €6.6 billion.