



Mercedes-Benz

Auditing by RCS Global: Detailed Findings

The supply chains of Mercedes-Benz's battery cell suppliers are audited by RCS Global across all stages – from battery cell supplier to mine. This document provides an overview of the results as of today.

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.
- Refineries, as critical nodes 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.
- Refineries 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 to prevent 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.



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Year 2 Audit Findings:

Across all tiers, suppliers show progress. Compared with audit results of Year 1, scores of Refineries increased by 75%, Battery cell suppliers by 34%, Cathode suppliers by 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:

- A total of 27 trainings were conducted, including 3 refresher training courses.

Corrective Action Plans (CAP):

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

Year 3 Audit Findings:

In the third year, all stages of delivery have made further progress and a good awareness and knowledge of responsible sourcing and due diligence, in particular a due diligence management system. Refineries have improved the most from Year 1 to Year 3 with an increase of 38% to 69%, compared to battery cell suppliers (from 47% to 64%) and cathode manufacturers (from 55% to 64%). In the upstream area, treatment units have improved the fastest from 42% to 74% and mine sites from 42% to 54%.

Trainings:

- Over the course of 3 years, a total of 67 training sessions have taken place.

Corrective Action Plans (CAP):

- Over the 3 years, a total of 148 CAPs have been initiated, 72% of which have already been completed.



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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 19 rightsholder consultations have been conducted: 11 consultations for Year 1 initial audits, 7 consultations for a Year 2 re audit and one consultation in the final year. 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 labor;
- Occupational Health and Safety (OHS) related risks;
- Security forces with potential adverse impacts on human rights;
- Risks related 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 from Mercedes is available on the Internet:

www.media.mercedes-benz.com/