



# DAIMLER TRUCK CANADA LTD.

Modern Anti-Slavery Report

Date May 30, 2024

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## A Message from our Canadian Officers



Daimler Truck Canada Ltd. (“DTCL” or “the Company”) is pleased to provide its first Modern Slavery report under the Act to Enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“the Act”), in recognition of the global concern about Modern Slavery in supply chains.

DTCL is part of the wider Daimler Truck-Group of companies (“Daimler Truck-Group”) and has locally incorporated and enacted global initiatives that have been spearheaded by our ultimate parent company, Daimler Truck AG in cooperation with its worldwide subsidiaries. DTCL and the Daimler Truck-Group recognize that Modern Slavery cannot be eradicated instantaneously, however, we are committed to meeting our human rights due diligence obligations and conforming with the objectives of the Act.

People are at the core of our business. To assist us to uphold these values and our commitment, we set out standards and expectations to underscore our commitment and also set standards for our suppliers, including in our:

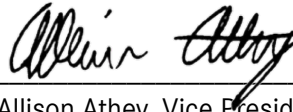
- ✓ Daimler Truck Code of Conduct- [https://www.daimlertruck.com/fileadmin/user\\_upload/documents/company/compliance/Daimler-Truck-Code-of-Conduct-english.pdf](https://www.daimlertruck.com/fileadmin/user_upload/documents/company/compliance/Daimler-Truck-Code-of-Conduct-english.pdf),
- ✓ Declaration of Principles on Social Responsibility and Human Rights- <https://www.daimlertruck.com/en/sustainability/s-social/human-rights/declaration-of-principles>
- ✓ Supplier Business Partner Standards - Doing the Right Thing Together (Updated April 2023) [Business Partner Standards](#),
- ✓ Sustainability: Human rights- <https://www.daimlertruck.com/en/sustainability/s-social/human-rights-in-the-supply-chain>
- ✓ Human Rights Compliance Management System (Human Rights CMS)- <https://www.daimlertruck.com/en/sustainability/social/human-rights-compliance-management-system>
- ✓ Compliance Awareness Module for Sales Business Partners and Suppliers: <https://www.dt-compliance-awareness-module.com/en/>
- ✓ Whistleblowing system SpeakUp to report human rights violations in our own businesses and the supply chain <https://www.daimlertruck.com/en/sustainability/s-social/complaints-procedure>,
- ✓ Tender processes and supplier agreements, including our Standard Terms and Conditions.

DTCL is committed to continually improving and developing best practices in identifying, monitoring, managing, and reporting on Modern Slavery in our operations and supply chains.

This statement was approved by DTCL's Operating Committee on May 30, 2024.



Glen White, Vice President & Regional General Manager – On-Highway Sales



Allison Athey, Vice President & Regional General Manager – Vocational Sales

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## **Daimler Truck Canada Ltd.'s First Modern Slavery Report Under the Act to Enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act**

### Section 1

#### **Commitment to Uphold Human Rights in our Supply Chain**

The Daimler Truck-Group is aware of its integral responsibility to respect and support human rights. The Daimler Truck-Group and DTCL endeavor to ensure fundamental rights are respected and measures are implemented to address Modern Slavery both within our own businesses and throughout our supply chain. Accordingly, we are committed to preventing human rights violations from occurring with regard to our own employees and our business partners - in particular, our direct suppliers.

For these reasons, measures have been implemented that strive to ensure production and non-production materials and services are procured worldwide in alignment with sustainability standards. Furthermore, experts from various specialist internal departments at a global level, such as Procurement, Compliance, Trade Compliance and Legal collaborate cross functionally to advance this value from a variety of perspectives. These strategies, both globally and locally, put us on a good path towards ensuring respect for human rights in our supply chains. This statement outlines the measures we have taken in 2023 to strengthen our local policies and procedures to ensure we play our part in the detection and mitigation of Modern Slavery risks within our supply chains.

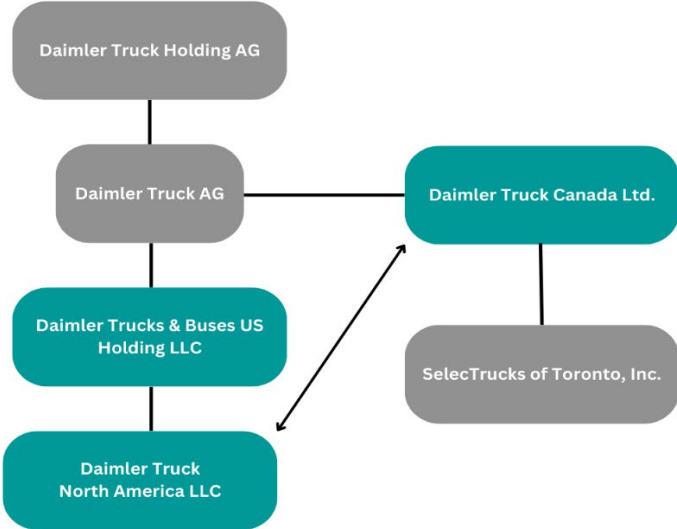
### Section 2

#### **Introduction: Overview of Corporate Structure and Activities**

This first Modern Slavery statement covers DTCL's activities over the fiscal year ending December 31, 2023. It has been prepared to comply with the requirements of the Act, to meet the mandatory criteria

as outlined in Public Safety Canada’s Guidance for Preparing Reports - Entities. DTCL has been operating in the Canadian market since January 23, 2003 (business number 86 1828937RC0002) and is responsible for importing, distributing, retailing, and wholesaling heavy duty vehicles and Aftermarket component parts to Canadian dealers on behalf of its affiliate, Daimler Truck North America LLC (DTNA). Locally, DTCL wholly owns SelecTrucks of Toronto, Inc. The ultimate parent company of all three entities is Daimler Trucks & Buses Us Holding LLC.

**Parents and Subsidiaries**



July 3, 2023

DTCL has a total of 85 employees based in Mississauga, Ontario and its parts distribution center in Calgary, Alberta.

**Daimler Truck Canada Ltd – Distribution Network**

Brands	Full Service	Service & Parts	Parts Only	Total
Dual Branded	47	13	3	63
Freightliner Only	24	5	1	30
Western Star Only	22	7	0	29
<b>Total Truck Outlets</b>	<b>93</b>	<b>25</b>	<b>4</b>	<b>122</b>
Distributor Owner Groups	2			
Distributor Locations	26			
Thomas Built Buses – Owner Group	6			
Thomas Built Locations	39			

Locally, DTCL is the Canadian importer, distributor, and wholesaler of the Freightliner™ and Western Star™ branded heavy and medium trucks (Class 5-8) used in a variety of commercial and vocational applications as well as aftermarket component parts for the after-sale service of these vehicles. Freightliner and Western Star Trucks are manufactured by DTNA at its truck plants in the United States (Portland, Oregon; Cleveland and Mt. Holly, North Carolina) and in Mexico (Saltillo, Coahuila and Santiago, Nuevo León). DTNA owns several brands in addition to Western Star and Freightliner, including Detroit Diesel, Demand Detroit, Thomas Built Buses, Alliance Parts (Aftermarket) and SelecTrucks (resale of used trucks).

Aftermarket parts are shipped principally from DTNA's network of Parts Distribution Centers in the United States. Canadian Dealers may also purchase parts directly from part suppliers under DTNA's Direct Ship Program and through Alliance Parts. Detroit engines, transmissions are manufactured in Detroit, Michigan as well as a Detroit Remanufacturing plants in the United States and in Toluca, Mexico. Detroit axles are manufactured in Detroit as well as Saltillo, Coahuila, Mexico.

## Section 3

### **Overview of our Supply Chain**

Production components and parts, including those for Aftermarket sales, are sourced from DTNA's global supply chain comprising more than 1800 active suppliers and more than 141,000 parts. Suppliers' production locations are principally located in North America (US, MX and Canada), Europe (Germany, Hungary, Poland, Romania, Portugal, Spain, Italy, France, The Netherlands), and Asia (China/Hong Kong, Taiwan, Thailand, Turkey, Japan, Viet Nam, India) and South Africa.

## Section 4

### **Forced Labor and the Automotive Supply Chain**

Of the countries mentioned above, the supply chain in China/Hong Kong and Taiwan specifically in, but not exclusively, the Xinjiang Uyghur Autonomous Region (XUAR) holds significant risk of forced labor for the automotive industry broadly as the raw materials mined, the parts manufactured and the subcomponents assembled in China transit the world's global supply chain. This risk became abundantly clear as the world struggled with the COVID -19 pandemic and then the subsequent meltdown of the global supply chain. Reports emerging in 2020 raising concerns of forced labor detentions in the XUAR and forced labor transfers from that region to other parts of China. That year, the US Department of Labor's Bureau of International Labor Affairs "added five goods produced by forced labor by Muslim minorities in China to the 2020 edition of the TVRPA List (Trafficking Victims Protection Reauthorization Act List) *Against Their Will: The Situation in Xinjiang*. In August 2022, the Office of the United Nations High Commissioner for Human Rights (OHCHR) published its *Assessment of human rights concerns in the Xinjiang Uyghur Autonomous Region, People's Republic of China* concerning the treatment of Uyghurs and other largely Muslim groups in China. The report concluded that "[t]he extent of arbitrary and

discriminatory detention of members of Uyghur and other predominantly Muslim groups, pursuant to law and policy, in context of restrictions and deprivation more generally of fundamental rights enjoyed individually and collectively, may constitute international crimes, in particular crimes against humanity." Additionally, prominent non-governmental agencies added to the growing body of evidence highlighting connection between suppliers in the XUAR and the automobile industry, most notably Sheffield Hallam University's Helena Kennedy Centre's (Sheffield University) December 2022 report, *Driving Force - Automotive Supply Chains and Forced Labor in the Uyghur Region* and, more recently, Human Rights Watch's February 2024 report, *Asleep at the Wheel - Car Companies' Complicity in Forced Labor in China* and Bitter Winter's February 2024 *New Report: Uyghur Forced Labor Increased in 2023*.

## Section 5

### Identifying Forced Labor and Child Labor Risks in the Supply Chain

**“Child Labor** is defined by ILO Conventions 138 on the Minimum Age for Admission to Employment and 182 on the Worst Forms of Child Labor. It includes employment below the minimum age as established in national legislation, hazardous unpaid household services, and the worst forms of child labor: all forms of slavery or practices similar to slavery, such as the sale or trafficking of children, debt bondage and serfdom, or forced or compulsory labor.

**Forced Labor** is defined by ILO Convention 29 as all work or service exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”<sup>1</sup>

Identifying potential risks of forced labor and child labor in the supply chain is complicated as demonstrated by a small sample of newspaper clippings from this past February.

- **“For First Time in Two Decades, U.S. Buys More From Mexico Than China** –The United States bought more goods from Mexico than China in 2023 for the first time in 20 years, evidence of how much global trade patterns have shifted.” – February 7, 2024 (New York Times)
- **“China Auto-Parts Suppliers are Flocking to Mexico** –The value of Chinese auto parts made in Mexico and exported to the US reached \$1.1 billion in 2023, up 15% over the previous year, according to previously unreported preliminary data from INA, Mexico’s national auto-parts industry association. Last year, there were 33 Chinese auto-parts makers registered in Mexico, 18 of which exported to the US, according to INA.”– February 14, 2024 (Bloomberg News)
- **“US should block cheap Chinese auto imports from Mexico, US makers say”** – The U.S. government should block the import of low-cost Chinese autos and parts from Mexico, a U.S. manufacturing advocacy group said on Friday, warning they could threaten the viability of American car companies.– February 23, 2024 (Reuters)

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<sup>1</sup> Department of Labor - Bureau of International Labor Affairs - Child Labor, Forced Labor & Human Trafficking

As companies seek to address geopolitical dynamics, strategies such as nearshoring, friend shoring, and reshoring have been implemented in varying degrees; however, in terms of forced labor/child labor risks these strategies do not, on their own, necessarily eliminate or even mitigate these risks without having

1. transparency throughout the downstream supply chain of the countries of origin (production locations) from the first raw material input and every subcomponent and component thereafter in the finished good;
2. forced and child labor risk assessment training internally (employees at subsidiaries and affiliates) and externally with suppliers;
3. a plan to tackle risks that may surface with suppliers to remediate instances of forced/child labor that may be identified; and
4. a vigorous, multi-faceted, cross functional risk management, communication and effectiveness testing program that includes suppliers as collaborators.

## Our Approach

The Daimler Truck-Group participates in the UN Global Compact and is committed to the UN Guiding Principles for Business and Human Rights. It places particular importance on the International Bill of Human Rights as well as the core labor standards of the International Labor Organization (ILO). The Daimler Truck-Group is thus committed to preventing human rights violations from occurring with regard to its employees and business partners, in particular suppliers. The aim is to respect human rights and to implement necessary measures and processes to fulfill its due diligence obligations.

Acknowledging this commitment, DTCL, in collaboration with DTNA and the Daimler Truck Group, has established a robust due diligence program incorporating the four features described above:

- ✓ To fulfill human rights due diligence obligations on Daimler Truck Group level, we use a systematic approach with our **Human Rights Compliance Management System**. The Human Rights Compliance Management System is based on requirements from applicable laws and internationally recognized standards – such as the UN Guiding Principles on Business and Human Rights. The Human Rights Compliance Management System includes basic principles and measures to promote compliant conduct. It relates to the Group companies and majority shareholdings as well as to our value chain. Supplier due diligence (see below) is an integral part of the Human Rights Compliance Management System. More information on processes and measures implemented on Daimler Truck-Group level can be found in our annual reports: <https://www.daimlertruck.com/en/sustainability/reportings>
- ✓ Group-level **supplier due diligence**: we conducted a systematic risk analysis of tier-1 suppliers throughout the Daimler Truck-Group via a newly introduced IT tool. This tool generates an abstract risk assessment of our suppliers based on various human rights risk indicators, particularly in relation to their location, as well as the use of critical raw materials or commodities. The high-risk suppliers identified on this basis are then subjected to a concrete risk analysis and evaluated using

further assessment measures - in particular using supplier self-assessment questionnaires. Based on this analysis, measures are determined to mitigate the risks identified. This e.g. includes qualification measures in form of supplier trainings or supplier dialogues. If necessary, we also use further investigation and risk monitoring measures, such as external audits.

- ✓ **Group-level supply chain assessments:** When examining human rights risks along the supply chain of production material, particular attention is paid to raw materials that are potentially mined or processed under critical human rights conditions. We conduct reviews with suppliers of these raw materials in the form of so-called supply chain assessments. Our supply chain assessments consist of three steps:
  1. We create transparency along the respective raw material supply chains
  2. We identify risk hotspots in these supply chains
  3. If necessary, we define suitable measures to counteract risks
- ✓ We also **integrated the use of critical raw materials** as a risk indicator into the systematic risk analysis of our suppliers (see above). Moreover, our membership in initiatives focused on raw material supply chains, such as the "Responsible Lithium Partnership" or the "Responsible Minerals Initiative," supports their measures for a responsible raw material supply chain, especially from countries with a high risk of human rights violations.
- ✓ We **sensitize employees** throughout the Daimler Truck-Group with various internal training courses on human rights in order to give them a basic understanding of the content of corporate due diligence and social responsibility. For this purpose, human rights issues in the respective working environment are taught in specific training courses for particularly relevant departments, especially in purchasing and sales. In the reporting year, the expert module "Human Rights Compliance" was rolled out, which was mandatory worldwide for relevant target groups, such as the central purchasing and human resources departments. The module content includes information on human rights generally, possible risks for human rights violations and the Daimler Truck Group's approach to fulfill human rights due diligence obligations.
- ✓ We **updated the Daimler Truck Business Partner Standards** which outline expectations for all business partners including our suppliers, to expand upon the importance of combating forced and child labor in the Daimler Truck-Group supply chain
- ✓ We **engaged fifteen suppliers in a local pilot program** to discuss ways to identify forced labor in the supply chain and how to tackle this risk via mapping and sourcing strategies to ensure no forced labor is in our collective supply chain. The extent to which the discussions were interactive and yielded a mutual understanding of purpose moving forward depended on each supplier's resources. Over the course of the pilot several large global suppliers had implemented supply chain mapping programs.
- ✓ We **implemented a weekly forced labor conference** call including members of our Procurement and Compliance teams as an opportunity to share tools, updates on forced labor

legislation in our respective regions and, eventually, results of our supply chain mapping due diligence.

- ✓ We **updated our standard terms and conditions** to enhance forced labor language and its Supplier’s Guide to Successful Business at Daimler Trucks North America LLC.
- ✓ We **addressed forced labor due diligence** during quarterly supplier calls and its annual Supplier Day Conference.
- ✓ We onboarded a third party **supply chain mapping** company to AI map the supply chain to tier N and integrated a data intelligence tool (one that provides data intelligence to US Customs and Border Protection for its forced and child labor due diligence) into that mapping system to quickly identify and link potential downstream suppliers (i) on the Uyghur Forced Labor Prevention Act’s (UFLPA) Entity List or (ii) those linked with forced/child labor through investigations by non-government agencies such as Sheffield University.
- ✓ We are **implementing a multi-faceted and cross-functional team** to holistically respond to the myriad of environmental, sustainability/social and governance topics that must be addressed whether human rights, supply chain transparency, CO<sup>2</sup> emissions, carbon footprint, diversity or cybersecurity and data protection.

**Parts of our business and supply chains that carry a potential risk of forced labor or child labor being used and the steps taken to assess and manage that risk**

Risk	Description
Raw Materials	Lithium, cobalt, nickel, graphite, tin, tungsten, aluminum, copper, rare earth metals, steel/iron, natural rubber, manganese, platinum, palladium, rhodium, iridium, chromium, niobium, magnesium, molybdenum, silica/silica sand, zinc.
Lack of Visibility	We recognize we have decreased visibility into our complex global supply chain and the manufacturing and labor standards of suppliers deep in that chain.
Labour Exploitation	We are aware and recognize the risk of labor exploitation in various sectors within the larger automotive sector.

Recognizing these risks and desiring to address them meaningfully to meet our social responsibilities to be forced and child labor free, our financial commitment to our stakeholders and employees and our pledge to build the very best vehicles “for all those that keep the world moving” – our customers, the company is articulating a sustainable program that will (i) create visibility/transparency into the entire supply chain, (ii) increase our flexibility to quickly adapt to potential disruptions, (iii) enhance collaboration – cross functionally and with supply chain partners; and (iv) expand our scope of control of the end-to-end supply chain.

To accomplish this significant undertaking, the company is leaning into one of its many strengths - our talented and experienced people throughout the organization, but particularly, our Procurement and Supply Chain Management colleagues. We have shared the challenge with them and they have stepped up to meet it. They, together, with our compliance team, have developed a consistent set of talking points

and measures for engaging with suppliers when potential flags surface as a result of the supply chain mapping process.

## Supply Chain Mapping at DTNA/DTCL

At this point it is essential to describe what supply chain mapping is and, just as critical, what it is not. Supply chain mapping is based on third party AI mapping a supplier network to identify a company's supply chain however many tiers down that may be. AI mapping relies on publicly available bill of lading data, publicly available product data, web scraped research, including supplier web sites, activities, and company information. The AI mapping process results in a "most likely" supply chain.

Supply chain AI Mapping does not produce a map of a company's supply chain with complete accuracy. AI Mapping is complicated by the complexity of how goods move internationally: bills of lading may not be accurate, customer part numbers are typically not included, HTS codes may be incorrect, other parties are involved such as 3PLs, freight forwarders or customs brokers whose names may be listed in lieu of the actual consignee, some countries do not mandate the disclosure of trade data, long lead times create lags in data freshness, mapping through manufacturers with multiple customer-specific supplier relationships can create false positives.<sup>2</sup> All, or any combination, of these contingencies cloud the ability to establish a chain of custody of the goods transiting in international trade making the identification of the source and country of origin difficult to pinpoint.

AI mapping provides a company an indication of what may be its supply chain. The company has the task to validate the accuracy of that map. An astute company collaborates with its suppliers to validate and, when appropriate, correct the map by means of a defined process that is controlled yet sufficiently flexible to address different circumstances. The map must then be kept current as the supply chain evolves to remain an effective tool.

Supply chain mapping began in December 2023 with the transmission of an initial set of suppliers. These suppliers were chosen based on our annual volume of buy and product type, e.g., electronics. For context, the supply chain mapping process to tier 8 for this subset of suppliers yielded 21,962 potential suppliers and 45,211 sites. In the event the mapping identifies a downstream supplier that is on the UFLPA Entity List or otherwise linked to forced labor via the integrated forced/child labor data intelligence tool, the supply chain mapping company engages the tier 1 supplier to provide the names of its tier 2 suppliers. This process is repeated from tier 2 to tier 3 to the last tier supplier identified to validate or correct the supply chain map. If, at the end of this process, a sub tier supplier is confirmed to have forced/child labor links, the cross functional team from Procurement, Supply Chain Management, Legal and Compliance will engage the supplier to address the situation through risk prevention, mitigation or remedial concepts and, if ultimately required, secure alternate sourcing (without such links) for the materials involved.

DTCL has not identified forced labor or child labor in its supply chain through the mapping performed to date.

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<sup>2</sup> Reference - Resilinc AI Mapping - The Realities of AI Mapping.

## **Conclusion**

DTCL, in collaboration with DTNA and the Daimler Truck Group, has made notable progress in our understanding of the issues, the need to ensure no forced or child labor is in our supply chain and the tools and resources available to assist in this process; but our work is ongoing. We continue to learn as we move the program forward. We continue to monitor legislation and regulations in this critical area of international concern as well as the growing body of reports, studies, process recommendations and evaluations that can inform our program and assist with the development of credible standards to effectively measure our progress.