



Mercedes-Benz Canada Inc.

Forced and Child Labour in Canadian Supply Chains Report

27 May 2024

Mercedes-Benz



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A message from our Directors



Mercedes-Benz Canada Inc. (“**MB Canada**”), a company incorporated under the Canada Business Corporations Act, is pleased to provide our annual Forced and Child Labour in Canadian Supply Chains Report (“**Statement**”) pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (“**Act**”), in recognition of the global concern about forced labour and child labour in supply chains. This Statement is our first publication under the Act.

MB Canada is part of the wider Mercedes-Benz Group of companies (“**Mercedes-Benz Group**”) and has locally incorporated and enacted global initiatives.

People are at the core of our business. Our aim is to ensure that their fundamental human rights are respected in our own business, as well as by our business partners and suppliers. To assist us in upholding these values and reducing the risk that forced labour and child labour is used at any stage in our supply chains, we set out our standards and expectations with our suppliers, including in our Integrity Code, Supplier Sustainability Standards, Responsible Sourcing Standards, and Supplier Agreements.

MB Canada is committed to continually improving and developing best practices in identifying, monitoring, managing, and reporting on forced labour and child labour in our operations and supply chains.



Andreas Tetzloff
Chief Executive Officer,
Mercedes-Benz Canada Inc.



René B. Neumann
Vice President & Chief Financial Officer,
Mercedes-Benz Canada Inc.

Section 1

Introduction

This Statement covers MB Canada’s activities over the financial year ending 31 December 2023 and has been prepared to comply with the requirements of the Act, in order to meet the mandatory criteria as outlined in the Act’s Guidance for Reporting Entities, dated March 2024.

The Mercedes-Benz Group is aware of its responsibility to uphold human rights and has policies and due diligence processes in place related to forced labour and child labour.

Comprehensive measures have been implemented to ensure production materials and services are procured worldwide in alignment with sustainability standards to ensure that responsible business practices are embedded into policies and management systems. Furthermore, experts from various specialist internal departments at a global level, such as Procurement and Supplier Quality, Compliance and Legal, work very closely together to support and progress this topic from a variety of perspectives.

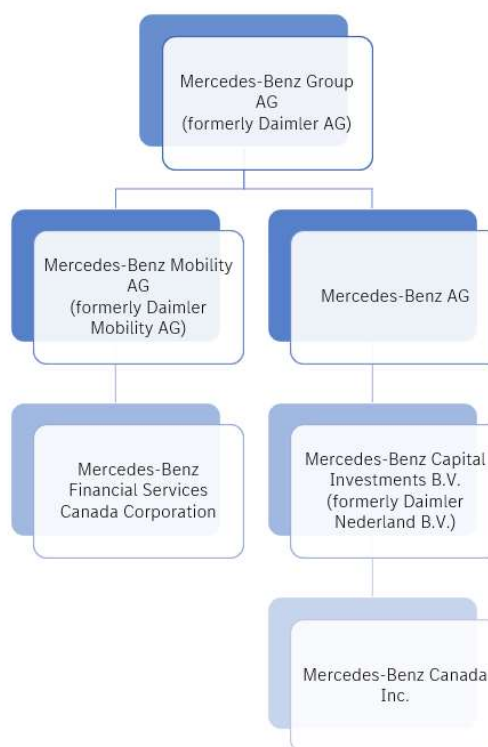
We are focused on identifying and assessing adverse impacts in operations, supply chains and business relationships and we cease, prevent, and mitigate adverse impacts, track implementation and results, and communicate how such impacts are addressed. These strategies, both globally and locally, put us on the right path towards ensuring respect for human rights in our supply chains.

Overview of the Corporate Structure in Canada

MB Canada operates in the Canadian market and is responsible for the distribution, marketing and customer service of Mercedes-Benz, Mercedes-AMG, Mercedes-Maybach, all-electric vehicles from Mercedes-Benz, Mercedes-Benz Vans, as well as the wholesaling of parts.

Locally, MB Canada also operates alongside Mercedes-Benz Financial Services Canada Corporation (MBFSC). The ultimate parent company of these entities is Mercedes-Benz Group AG, one of the leading global manufacturers of premium and luxury cars and vans.

The Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group and has its registered office in Stuttgart, Germany. Effective February 1, 2022, Daimler AG changed its name to Mercedes-Benz Group AG. As well as Mercedes-Benz Group AG, the Mercedes-Benz Group is made up of all subsidiary companies over which the Mercedes-Benz Group AG can exert a direct or indirect controlling influence. The Mercedes-Benz Group AG determines the strategy of the Mercedes-Benz Group, is its controlling body and, as the Group parent company, is responsible for legal, regulatory and compliance functions worldwide. The Mercedes-Benz Group markets and sells vehicles and services in almost all countries of the world and has some 30 production sites in Europe, North and Latin America, Asia, and Africa.



Section 2

Definitions

For the purposes of this statement, the following definitions apply, which are consistent with the definitions in the Act.

child labour means labour or services provided or offered to be provided by persons under the age of 18 years and that:

- a) are provided or offered to be provided in Canada under circumstances that are contrary to the laws applicable in Canada;
- b) are provided or offered to be provided under circumstances that are mentally, physically, socially or morally dangerous to them;
- c) interfere with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work; or
- d) constitute the worst forms of child labour as defined in article 3 of the Worst Forms of Child Labour Convention, 1999, adopted at Geneva on June 17, 1999. (*travail des enfants*)

forced labour means labour or service provided or offered to be provided by a person under circumstances that:

- a) could reasonably be expected to cause the person to believe their safety or the safety of a person known to them would be threatened if they failed to provide or offer to provide the labour or service; or
- b) constitute forced or compulsory labour as defined in article 2 of the Forced Labour Convention, 1930, adopted in Geneva on June 28, 1930. (*travail forcé*)

Section 3

Sustainable Business Strategy

MB Canada is committed to upholding respect for human rights; it is a central aspect of our sustainable business strategy. MB Canada endeavours to ensure these fundamental rights are respected and implements measures to address forced labour and child labour within our own business and throughout our supply chain.

Following a risk-based approach, MB Canada has taken the below measures in the previous financial year to prevent and reduce the risk that forced labour and/or child labour is used at any step of the production of goods in Canada or elsewhere or of goods imported into Canada.

- Mapping of activities and supply chains.
- Auditing and monitoring of suppliers at a group level.
- Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains.
- Contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains.
- Developing and implementing an action plan for addressing forced labour and/or child labour.
- Addressing practices in the organization's activities and supply chains that increase the risk of forced labour and/or child labour.
- Developing and implementing due diligence policies and processes for identifying, addressing, and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains.
- Carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and/or child labour.
- Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains.
- Developing and implementing child protection policies and processes, anti-forced labour and/or -child labour contractual clauses, standards, codes of conduct and/or compliance checklists.
- Enacting measures to provide for, or cooperate in, remediation of forced labour and/or child labour.
- Developing and implementing grievance mechanisms, training, and awareness materials on forced labour and/or child labour, as well as procedures to track performance in addressing forced labour and/or child labour.
- Engaging with supply chain partners, civil society groups, experts, and other stakeholders on the issue of addressing forced labour and/or child labour.

Global Risk Analysis

The Mercedes-Benz Group is exposed to different risks that are directly linked with the business activities of Mercedes-Benz Group AG and its subsidiaries or that result from external influences. The Mercedes-Benz Group Sustainability Report for 2023¹ ("**Report**") highlights the effective risk management system currently implemented to systematically and continually identify, assess, control, monitor and report emerging risks threatening the Mercedes-Benz Group and its sustainable business strategy. This approach is locally adopted by MB Canada.

One of the identified risks linked with the business activities and supply chain of the Mercedes-Benz Group AG is the use of forced labour and/or child labour. To the best of our knowledge, forced labour and/or child labour risks have been identified in relation to the following aspects of our business activities and supply chain:

- Sector/Industry related risk factors.
- The product types produced, sold, distributed, or imported.

¹ Mercedes-Benz Group AG, Sustainability Report 2023, accessed April 2024, <https://group.mercedes-benz.com/responsibility/sustainability/sustainability-report.html>.

- The locations of the Mercedes-Benz Group activities, operations, or factories.
- The product types sourced.
- The raw materials or commodities used in the supply chains.

Furthermore, forced labour and/or child labour risks have been identified in relation to the following sectors and industries:

- Mining, quarrying, and oil and gas extraction
- Manufacturing

MB Canada has not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour and/or child labour in our activities and supply chains.

Risk Mitigation Measures

The Mercedes-Benz Group's risk-based system to exercise human rights due diligence comprises of various initiatives and risk mitigation measures.

Respect for Human Rights

The Mercedes-Benz Group respects internationally recognized human rights and is committed to the following standards, among others:

- Universal Declaration of Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights
- Ten principles of the UN Global Compact (UNGC)
- OECD Guidelines for multinational companies

These standards are included in the Mercedes-Benz Group's Integrity Code² and the Principles of Social Responsibility and Human Rights³, both of which are binding for all managers and employees of the Mercedes-Benz Group AG and the consolidated Group companies worldwide.

Integrity Code

The Mercedes-Benz Group-wide Integrity Code provides appropriate guidance, serving as a common standard of values, defining the guidelines for conduct, and helping employees make the right decisions. The Integrity Code is binding on all employees of Mercedes-Benz Group AG and all the Mercedes-Benz Group companies worldwide. It includes, among other things, regulations for preventing corruption, respecting human rights, handling data, and complying with technical product requirements.

The Integrity Code is summarized in five key corporate principles. They provide orientation and are to be actively applied by all employees:

- 1) The Mercedes-Benz Group is profitable and committed to people and the environment.
- 2) The Mercedes-Benz Group acts responsibly and respects the rules.
- 3) The Mercedes-Benz Group addresses issues openly and stands for transparency.
- 4) Fairness and respect provide the foundation of collaboration.

² Mercedes-Benz Group AG, Integrity Code, accessed April 2024, <https://group.mercedes-benz.com/responsibility/compliance/integrity-code.html>.

³ Mercedes-Benz Group AG, Principles of Social Responsibility and Human Rights, accessed April 2024, <https://group.mercedes-benz.com/responsibility/society/human-rights/principles-of-social-responsibility-and-human-rights.html>.

5) The Mercedes-Benz Group practices diversity.

Principles of Social Responsibility & Human Rights

The Principles of Social Responsibility and Human Rights is an expression of the Mercedes-Benz Group's commitment to ensuring that human rights are respected in all Group companies and by its partners along the supply chain. The policy statement describes the procedure for implementing human rights due diligence obligations and identifies the material human rights risks for the Mercedes-Benz Group.

With these principles, the Mercedes-Benz Group aims to:

- prevent negative impacts on human rights worldwide within its own business area and with respect to its partners and suppliers, and
- minimize and bring an end to these negative impacts where possible.

With input from all relevant specialist units of the Mercedes-Benz Group, in-house human rights experts, and external stakeholders, on a regular basis and as required, the Mercedes-Benz Group continues to develop and adapt the principles in accordance with the results of the risk analysis undertaken as part of the Human Rights Respect System ("HRRS").

Requirements for Suppliers

The Mercedes-Benz Group is committed to responsible procurement of production and non-production materials and services. The Mercedes-Benz Group has defined guidelines for sustainable supply chain management in the Responsible Sourcing Standards ("RSS")⁴. They define minimum requirements and expectations for direct suppliers (Tier 1) and contractually oblige them to:

- comply with the requirements,
- communicate them to their employees and upstream stages of the value chain, and
- monitor compliance with them in their business processes and sphere of influence.

As the basis for the responsible procurement of materials and services, the aim of the RSS is to prevent, minimize or, as far as possible, eliminate negative impacts on people and the environment worldwide.

Human Rights Respect System ("HRRS")

The HRRS⁵ is the human rights due diligence approach of the Mercedes-Benz Group. It provides protection of the Mercedes-Benz Group's own employees through the Group-wide Social Compliance Management System ("Social CMS"), as well as processes for human rights due diligence in supply chains as part of Supplier Compliance Risk Management ("SCRM") for direct suppliers and, on a risk basis, indirect suppliers (beyond Tier 1).

The HRRS is a cycle that consists of four steps:

- 1) Risk assessment
- 2) Program implementation
- 3) Control
- 4) Reporting

It is designed to systematically identify risks, as well as potential and actual adverse impacts of business operations on the upholding of human rights at an early stage, to prevent them and to initiate countermeasures, if required.

The Mercedes-Benz Group is expanding the HRRS step-by-step, and involving external stakeholders and experts in the process, including employees, the local population, and international Non-governmental Organizations ("NGOs").

⁴ Mercedes-Benz Group AG, Responsible Sourcing Standards, accessed April 2024, <https://supplier.mercedes-benz.com/docs/DOC-2672>.

⁵ Mercedes-Benz Group AG, Human Rights Respect System, accessed April 2024, <https://group.mercedes-benz.com/responsibility/society/human-rights/human-rights-respect-system.html>.

Social Compliance Management System (“Social CMS”)

With the Social CMS⁶, the Mercedes-Benz Group has integrated the topic of human rights for the Mercedes-Benz Group companies into the Group-wide, systematic compliance risk management process.

Using recognized country risk indices and the respective business model, the Mercedes-Benz Group first determines the abstract human rights risk situation of each Group company. The focal points are derived from the material human rights risks in the Declaration of Principles on Social Responsibility and Human Rights.

- 1) On this basis, the specific human rights risks are then identified and evaluated in direct dialogue with the responsible compliance departments.
- 2) Each Group company is then assigned to a corresponding risk class. The results of the risk assessment form the basis for deriving and allocating risk-specific packages of measures.

The Social CMS is regularly reviewed and revised as part of the annual compliance risk analysis, and on an ad hoc basis.

Supplier Compliance Risk Management (“SCRM”)

As part of Supplier Compliance Risk Management (“SCRM”), the Mercedes-Benz Group subjects all the Tier 1 suppliers of its procurement units for production materials as well as for non-production materials and services to a risk assessment at least once a year.

Following an initial overarching risk assessment, the specific risks are determined using specific questionnaires. In addition, the procurement departments continuously check production materials as well as non-production materials and services for all Tier 1 suppliers for both human rights and environmental risks using adverse media screening.

The Mercedes-Benz Group follows up on all internal and external reports of potential human rights violations from Tier 1 suppliers and substantiated knowledge from Tier N suppliers as part of the SCRM. In doing so it:

- 1) Examines the nature and severity of the potential human rights violation.
- 2) Depending on the results of the risk assessment or the analysis of suspected cases, the procurement departments for production materials, non-production materials and services agree and review suitable preventive or corrective measures with the supplier.

Identification of Risk Raw Materials and Services

To examine the risks associated with raw materials, the Mercedes-Benz Group first analyzed the raw materials present in its vehicles and prioritized them based on certain relevant factors. As a result, it identified 24 critical raw materials. The list is reviewed annually based on certain criteria, such as the country risk of the main mining countries and updated if necessary.

As part of its risk assessment, the Mercedes-Benz Group is guided, among other things, by the so-called Severity Approach of the UN Guiding Principles.

The Mercedes-Benz Group then assesses which of the material human rights risks arise in connection with a specific raw material.

- 1) In a further step, the Mercedes-Benz Group assesses whether the risk also occurs in its own production material supply chain based on supplier dialogues, supplier self-assessments and audits.
- 2) If this is the case, the Mercedes-Benz Group defines suitable measures to minimize the main human rights risks.

The Mercedes-Benz Group plans to gradually examine the 24 critical raw materials identified in greater depth by 2028 and it publishes the results of these assessments in its Mercedes-Benz Raw Materials Report⁷.

⁶ Mercedes-Benz Group AG, Social CMS, accessed April 2024, <https://group.mercedes-benz.com/responsibility/society/human-rights/>.

⁷ Mercedes-Benz Group AG, Raw Materials Report, accessed April 2024, <https://group.mercedes-benz.com/responsibility/sustainability/supply-chains/raw-materials-report.html>.

The Mercedes-Benz Group also carefully reviews the services it uses. Services that are particularly critical from a human rights perspective have been identified as part of an impact assessment. Analysis resulted in a list of 27 services that are potentially critical in terms of human rights. They are divided into the following five categories:

- Construction services
- Event services
- Security services
- Maintenance services
- Logistics services

This risk mapping is carried out regularly to take account of current developments and adjust the classification of risks if necessary. The main human rights risks for the identified services are then identified on a step-by-step and supply chain-specific basis, and appropriate measures are defined.

Grievance Mechanism

Complaints Management – The Business & People Protection Office (“BPO”)

The Whistleblower System BPO⁸ enables employees and external whistleblowers worldwide to report breaches of regulations. In this way, the Mercedes-Benz Group:

- becomes aware of potential human rights risks,
- can avert damage to the Mercedes-Benz Group, its employees and third parties, and,
- can protect persons harmed by misconduct.

With regard to the supply chains, non-compliance with the Responsible Sourcing Standards (“RSS”) can also be reported via the BPO. Insofar as the misconduct or grievance lies within the supplier’s sphere of responsibility, the supplier is instructed to remedy it immediately. The supplier is furthermore obligated to make known the available opportunities to lodge a complaint within its supply chain. In addition, it must ensure that the information is also passed on to the deeper supply chain.

Concurrently, the Mercedes-Benz Group requires its suppliers to establish an equivalent complaint format for their own supply chains. In doing so, they are to work towards incorporating similar reporting obligations in contracts with their sub-suppliers in order that relevant information and reports of violations are shared by the sub-suppliers.

Training on the Topic of Human Rights

Training for All Employees of the Mercedes-Benz Group and Mercedes-Benz Canada

The Integrity Code and the Declaration of Principles for Social Responsibility and Human Rights are binding for all employees of the Mercedes-Benz Group as well as the consolidated Group companies and are therefore an integral part of its training concepts.

Both are the subject of the mandatory web-based basic module Integrity@Work, which also covers topics such as integrity and compliance and must be completed by all employees every three years. Through the training sessions, the Mercedes-Benz Group communicates to all employees the strategic and operational importance of the topic of human rights for the Mercedes-Benz Group, and its relevance in everyday working life. In addition, new employees undergo additional function-specific, human rights-related training during their onboarding, depending on their area of activity.

Training for Management of the Mercedes-Benz Group and Mercedes-Benz Canada

In 2023, human rights compliance training was also introduced for all managers worldwide to familiarize them

⁸ Mercedes-Benz Group AG, BPO, accessed April 2024, <https://group.mercedes-benz.com/responsibility/compliance/bpo/>.

with the requirements of human rights due diligence in line with their role.

Training for Employees in Procurement

Mercedes-Benz AG gives specific training to its employees in Procurement: corresponding sustainability training courses were also held in the reporting year. Employees of the Mercedes-Benz AG procurement unit for production materials were trained in the key requirements that suppliers must accept when awarding contracts.

The Mercedes-Benz Group's procurement unit for non-production materials and services also organised further training sessions in the reporting year. The training courses focused on the requirements of the German Supply Chain Due Diligence Act.

As part of the continuous compliance training programme, employees of the Mercedes-Benz Group as well as employees of the consolidated Group companies completed 151,428 web-based training programs related to human rights topics in the reporting year; this corresponds to 22,736 hours.

Compliance Awareness Module ("CAM")

Based on its sustainability standards for suppliers and its Integrity Code, the Mercedes-Benz Group has also developed the Compliance Awareness Module ("CAM")⁹. This was last revised in the reporting year and supplemented with environmental topics. This publicly available training module helps suppliers to handle possible integrity and compliance-related risks in a responsible manner. All suppliers can access the module via the Supplier Portal at any time.

⁹ Mercedes-Benz Group AG, Compliance Awareness Module (CAM), accessed April 2024, <https://www.compliance-awareness-module.com/>.

Section 4

Assessing the Effectiveness of Measures Taken

MB Canada and the Mercedes-Benz Group are taking a multifaceted approach to mitigating the risks of forced labour and child labour within our supply chains. There are currently no agreed units of measurement or international standards to measure the efficacy of our approach effectively and credibly, the UN Guiding Principles on Business and Human Rights states that the efficacy of such an approach should:

- a) be based on qualitative and quantitative indicators, and
- b) draw on feedback from both internal and external sources, including affected stakeholders.

Alongside the aforementioned risk mitigation measures, below are additional methods of assessing the effectiveness of measures taken to mitigate the risk of forced labour and child labour in the Mercedes-Benz Group and MB Canada supply chains.

Corporate Audit

Mercedes-Benz Corporate Audit regularly conducts audits in various Mercedes-Benz entities worldwide. Corporate Audit works in accordance with the professional standards and the code of ethics of the Institute of Internal Auditors (“IIA”). Accordingly, the audits of Corporate Audit also take integrity aspects into account.

The Compliance Management System (“CMS”)

The Compliance Management System (“CMS”)¹⁰ at Mercedes-Benz Group AG consists of basic principles and measures that promote compliant behaviour. It is based on national and international standards and is applied on a global scale in the Mercedes-Benz Group. The CMS consists of seven elements that build on one another: compliance values, compliance objectives, compliance organization, compliance risks, compliance program, training and monitoring and improvement.

The Mercedes-Benz Group monitors the processes and measures of the CMS annually and performs analyses to establish whether these measures are appropriate and effective. To this end, it draws on information from the Mercedes-Benz Group companies and other locally collected information. It also monitors its processes using performance indicators. To determine this, the Mercedes-Benz Group checks, among other things, compliance with formal requirements and the completeness of the content. In doing so, the Mercedes-Benz Group also takes into account the findings from internal audits as well as independent external audits.

Where necessary owing to new legal requirements or findings from risk analyses, the Mercedes-Benz Group adapts the CMS. The Mercedes-Benz Group companies are required to implement the resulting improvement measures. In addition, the effectiveness of the measures is regularly reviewed, and the responsible management bodies are informed of the monitoring results.

Compliance Internal Controls (“CIC”)

Compliance Controls are part of the Mercedes-Benz Group’s Compliance Risk Management. They are fully embedded in the Internal Control System (“ICS”) of the Mercedes-Benz Group with the same methodology for testing and effectiveness rating of controls.

¹⁰ Mercedes-Benz Group AG, Compliance Management System, accessed April 2024, <https://group.mercedes-benz.com/responsibility/compliance/compliance-management-system.html>.

The purpose of the Compliance Controls is:

- to monitor the effectiveness of implemented Compliance measures,
- to identify weaknesses within the Compliance Management System (“**CMS**”), and
- to safeguard mandatory local Compliance processes.

Section 5

Process of Consultation with Affiliate and Holding Entities in Preparing the Statement

MB Canada has consulted with representatives from Mercedes-Benz Group and MBFSC in preparing this statement.

MB Canada, Mercedes-Benz Group, and MBFSC recognize the need for a coordinated approach to addressing the risk of forced labour and child labour in its distinct and shared work force and supply chains.



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Mercedes-Benz

Attestation for Mercedes-Benz Canada Inc. Reporting year 2023

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Per: *Andreas Tetzloff*

Signed by: Andreas Tetzloff

Andreas Tetzloff

Chief Executive Officer, Mercedes-Benz Canada Inc.

May 27, 2024

Per: *Rene Neumann*

Signed by: Rene Neumann

René B. Neumann

Vice President & Chief Financial Officer, Mercedes-Benz Canada Inc.

May 27, 2024

We have the authority to bind Mercedes-Benz Canada Inc.