

Responsible Sourcing Standards

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Mercedes-Benz



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I. Preamble

These Responsible Sourcing Standards are derived from the requirements for human rights, environmental protection, and business ethics as applied by Mercedes-Benz Group AG and its affiliated companies in the Passenger Car/Van business unit according to Section 15 of the German Stock Corporation Act (AktG) and define these requirements in more detail for suppliers (hereinafter referred to as “Partner”).

The benchmark is provided by our Integrity Code, our Principles of Social Responsibility and Human Rights, and our Corporate Policy on Environmental and Energy Management, including our ambitions to achieve carbon neutrality.

Respect for human rights in line with the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, and the Fundamental Conventions of the International Labor Organization (ILO) constitutes a fundamental element of responsible corporate governance for the Mercedes-Benz Group and applies equally to our supply chains. Accordingly, the following minimum requirements and expectations for the Partner are aimed at preventing, minimizing and, where possible, bringing adverse impacts on human rights to an end.

Our environmental protection requirements are aimed at conserving natural resources as well as preventing environmental damage caused by economic activity when it occurs and compensating for it in cases where it cannot be prevented or rectified. This encompasses a wide range of topics including, for example, the prevention of air, soil, and water pollution, harmful noise and odor emissions, the preservation of water resources, natural soil quality, and forests, the promotion of renewable and clean energy sources, and the safe management of hazardous substances and hazardous waste. We expect our Partners to demonstrate that they employ a systematic and holistic approach to environmental protection: the Partner shall enshrine responsible business conduct in its strategies and management systems, perform an assessment of the environmental impact of the sourcing, design, and manufacture of parts, input materials, and products in advance and integrate this into business decisions and address causes.

The expectations of the Mercedes-Benz Group for cooperation with business partners are set out in the Business Partner Standards. These Responsible Sourcing Standards define in more detail the expectations for our suppliers with regard to responsible business conduct in line with the following corporate principles:

1. We are profitable and are committed to people and the environment.
2. We act respectfully and respect rules.
3. We address issues openly and stand for transparency.
4. Fairness and respect are the foundation of our collaboration.
5. We practice diversity.

These Responsible Sourcing Standards apply globally and are aimed at all suppliers of the Mercedes-Benz Group.

The Responsible Sourcing Standards include mandatory minimum requirements for suppliers. These minimum requirements form an integral part of the individual supply agreements. In addition, the Responsible Sourcing Standards demonstrate our expectations towards our suppliers in order to jointly establish and continuously develop a best practice for the protection of human rights and the environment as well as for the fulfilment of due diligence obligations for responsible business conduct.

The Partner is obliged to communicate these requirements to its employees and its own direct suppliers and to ensure compliance within its sphere of influence. The Mercedes-Benz Group expects its Partners to comply with all applicable laws and regulations and the following standards.

In the event of knowledge of a violation of the requirements of the Responsible Sourcing Standards, the Mercedes-Benz Group will take steps to prevent or mitigate the violation, for example, by agreeing on a corrective action plan. The Partner is obliged to provide the best possible support in these efforts. In the event that the violation persists, the Mercedes-Benz Group reserves the right to suspend or terminate the contractual relationship.

Our Standards for Responsible Sourcing

Responsible sourcing begins with respect for human rights. At the Mercedes-Benz Group, we pursue a holistic approach to respect human rights in our supply chains, including a responsible attitude toward the environment. In particular, we recognize the impact of climate change as a global challenge and align our strategy and our actions with the Paris climate goals.¹ The consideration of the interaction between human rights-related and environment-related risks is therefore an integral part of corporate responsibility. We expect our Partners to jointly make their contribution while observing the principles of responsible business conduct.

These Standards reflect the Mercedes-Benz Group's self-perception as an industrial company. They reflect relevant frameworks and are derived not least from ongoing risk assessment, particularly regarding raw material supply chains. The Mercedes-Benz Group cooperates with its Partners on the implementation of these Standards.

Detailed provisions and specific award conditions may be set out in further contractual terms, particularly the Mercedes-Benz Special Terms.



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¹ Paris Agreement: https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

II. Social Responsibility and Protection of Human Rights

The Partner commits to upholding and respecting human rights as laid out in the United Nation Global Compact, the International Bill of Human Rights, the International Labor Organization's Declaration on the Fundamental Principles and Rights at Work as of June 18, 1998, and the United Nation's Guiding Principles on Business and Human Rights as of June 16, 2011.

1. Human Rights Due Diligence

Minimum Requirements for Partners

The Partner is obliged to establish processes for its duty to take due care of the human rights in its company within a reasonable period of time, provided it delivers products or provides services to the Mercedes-Benz Group, where potential negative effects on human rights are to be feared in the value chain (for example, human rights due diligence process) and to take systematic and adequate due diligence measures in connection with human rights based on this process. Relevant in this regard are the national due diligence laws applicable to the Partner, but at least the specifications of the UN Guiding Principles on Business and Human Rights (hereinafter referred to as "UN Guiding Principles") as well as the respective relevant OECD Guidelines and principles.² In accordance with the UN Guiding Principles, the Partner shall design adequacy and scope of these measures according to the size and sales of its company, the nature and the origin of the product or service and the raw materials contained in it, and particularly according to the associated risks.

Expectations Towards Partners

The Partner should establish effective processes for the active protection of human rights with the aim of identifying, preventing, minimizing, and bringing potential and actual adverse impacts on human rights to an end within the entire value chain. When establishing human rights due diligence processes, the Partner should introduce at least the following measures in accordance with the OECD Guidelines for Responsible Business Conduct:

- i. embed responsible business conduct into strategies and management systems,
- ii. identify and assess actual and potential adverse impacts associated with the company's operations, products, or services,
- iii. cease, prevent, and mitigate adverse impacts,
- iv. track implementation and results,
- v. communicate how impacts are addressed, and
- vi. provide for or cooperate in remediation when appropriate.

Relevant stakeholders, especially those who may be affected in their human rights by the Partner's business activities should be integrated into the establishment and implementation of the management system.

² OECD Due Diligence Guide for Responsible Business Conduct: www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm.

2. Transparency, Cooperation, and Participation

To ensure that suppliers comply with the minimum requirements and standards on human rights laid down in these Responsible Sourcing Standards, the Mercedes-Benz Group requires its Partners to warrant the necessary transparency, in particular by fulfilling the following information and cooperation obligations:

Minimum Requirements for Partners

Upon request of the Mercedes-Benz Group, the Partner must provide information on the human rights due diligence processes established in its company. This will be done by means of a self-disclosure questionnaire provided by the Mercedes-Benz Group which the Partner answers completely and truthfully to the best of its knowledge by submitting relevant documents.

The Partner must provide unsolicited information to the Mercedes-Benz Group about identified risks and mitigating measures and must transfer a documentation of its due diligence measures upon request. The Partner must in particular identify critical human rights "nodes" (such as mines, smelters, and refineries) and provide information about them (for example, company and production site of the "node"). The Mercedes-Benz Group is committed to the UN Guiding Principles and strives to disclose such human rights critical "nodes" in its supply chain.

In the event a violation of human rights standards as defined in this section cannot be brought to an end in the foreseeable future, the Mercedes-Benz Group will, together with the Partner and/or relevant third parties, draw up and implement a corrective action plan to end the violation within a certain period of time or to minimize its extent. The Partner shall use its best effort to support the Mercedes-Benz Group.

The Mercedes-Benz Group is entitled to inspect or audit the human rights due diligence processes established by the Partner, including the due diligence measures taken by the Partner in the context of human rights, as well as the timely implementation of any corrective action plan, or to have them inspected or audited by a third party commissioned by the Mercedes-Benz Group. The Partner shall provide the Mercedes-Benz Group, or a third party commissioned by it, with all requested information and documents for inspection and shall give them the opportunity to interview managing directors, managers, and employees, insofar as this is reasonably necessary for these purposes. The Partner permits the Mercedes-Benz Group or a commissioned third party to make copies and extracts. The Mercedes-Benz Group may use the information and findings from these inspections and audits to fulfil statutory obligations, such as those arising from reporting requirements, taking into account company and business secrets, as well as the confidentiality obligations of the Partner.

The Partner undertakes to participate in trainings and further education on the human rights standards and expectations of the Mercedes-Benz Group upon its request.

The Partner will forward the content of these human rights standards (see Section II) to its subcontractors, placing them under the corresponding obligations, and will monitor and check compliance with human rights standards in the supply chain. The Partner particularly is responsible for ensuring that its subcontractors also act in accordance with these human rights standards.

If the Partner does not meet the requirements of these Responsible Sourcing Standards, the Mercedes-Benz Group reserves the right to take appropriate measures which may ultimately lead to the suspension or termination of a supply relationship.

Expectations Towards Partners

With regard to its obligation to cooperate in trainings, the Partner should complete the web-based Compliance Awareness Module and confirm its participation to the Mercedes-Benz Group in writing upon request. The module is available at www.group.mercedes-benz.com/en/ (section Company, subsection Compliance, Compliance of our Business Partner).

The Partner undertakes to comply with the following human rights standards:

3. Prohibition of Child Labor

Minimum Requirements for Partners

The Partner ensures that child labor is not tolerated within its own operations or within its direct suppliers under any circumstances. The Partner is obliged within its own business area to comply with ILO Conventions No. 138 on Minimum Age and No. 182 on the Worst Forms of Child Labour as a minimum and to check the age of employees and applicants accordingly. Children must not be hampered in their development and education. Their health and safety must not be adversely affected. The Partner is obliged to agree with its direct suppliers on the requirements for the prevention of child labor and also to request them to forward these.

Expectations Towards Partners

The Partner should establish a separate policy prohibiting child labor within their business activities and supply chains in line with the relevant ILO conventions. The Partner should integrate this requirement into their legally binding contracts and agreements.

If the Partner identifies child labor in its workforce, the Partner should not only terminate the employment, but also take care to create adequate measures to remedy the situation, for example, including them into an appropriate education program. A mere postponement of child labor is to be prevented.

The Partner should work collectively, for example, in industry associations, to promote the rights of children and their access to education and healthy development.

4. Prohibition on Forced Labor and Modern Slavery

Minimum Requirements for Partners

The Partner ensures that all its employer practices are in line with the ILO Conventions No. 29 on Forced Labour and No. 105 on the Abolition of Forced Labour at a minimum, particularly that all employees, including contract employees, are working on their own will and that they are free to terminate their employment giving appropriate notice. The Partner must prohibit all forms of forced labor, including especially compulsory labor, debt bondage, human trafficking, and any other form of modern slavery.

Employees must not be financially burdened through the withholding of wages or expenses or the imposition of fees as part of the hiring process.

The Partner must not restrict the employees' freedom of movement by withholding their identity documents or taking other measures against their will.

Expectations Towards Partners

Partners should establish clear policies setting out the implementation procedures for hiring, promotion, and termination. The Partner should further set out how it monitors its own labor and hiring practices within the company and with third parties, such as employment agencies and recruiters, and how it retains appropriate documentation. Working conditions and employment contracts should be documented clearly and in writing.

The Partner should work collectively, for example in industry associations, to reject all forms of modern slavery and to protect workers' rights.

5. Freedom of Association and Right to Collective Bargaining

Minimum Requirements for Partners

The Partner ensures to respect its employees' freedom of association in the sense of ILO Conventions No. 87 on Freedom of Association and No. 98 on the Right to Organize and Collective Bargaining, and actively acknowledge their right to collective bargaining without interference, discrimination, reprisal, or harassment. The Partner must respect the employees' right to associate, to join a union, to appoint representation, and to be elected for union roles. When freedom of association and collective bargaining are restricted by law, the Partner must seek alternative ways to best respect the principles of ILO conventions in accordance with local laws.

Expectations Towards Partners

The Partner should inform its employees of their relevant rights under ILO Conventions No. 87 and No. 98.

The Partner should train its managers in such a manner that the rights under ILO Conventions No. 87 and No. 98 apply without restrictions. In addition, clear rules and framework conditions for collective bargaining should be defined, or alternative procedures should be established, if these rights are not guaranteed by law. These rules should apply to all employees.

6. Non-Discrimination and Equal Opportunities

Minimum Requirements for Partners

The Partner ensures that all employees are treated with respect and dignity in the sense of ILO Conventions No. 100 on Equal Remuneration and No. 111 on Discrimination in Employment and Occupation. The principle of equal pay for work of equal value must apply regardless of gender. The Partner must ensure equal opportunities in the workplace and prohibit all forms of discrimination, including discrimination on the basis of gender, ethnicity, and membership of a specific population group, skin color, disability, union membership, political affiliation, origin, religion, age, pregnancy, or sexual orientation.

The Partner must establish corresponding regulations and clearly communicate these regulations to all employees. Furthermore, measures must be taken to stop specific cases of discrimination without undue delay and to protect the affected parties.

Expectations Towards Partners

The Partner should ensure that managers receive appropriate training to identify and prevent discrimination, particularly with regard to staffing decisions. All employees should be regularly sensitized to discrimination and harassment, and steps for reporting violations should be explained, for example, in training.

The Partner should grant maternity leave (vacation and benefits) in accordance with local law or the ILO Conventions (No. 183, 103, and 3), depending on which provision is more extensive. Employees should be ensured the same type of employment and salary on their return to work.

The Partner should endeavor to establish strategies for proactively supporting their employees' individual life situations, including the creation of flexible working environments and working hours to the extent that is possible for the respective activity.

Diversity and inclusion in the workplace should be promoted.

7. Health and Safety at Work

Minimum Requirements for Partners

The Partner as employer warrants health and safety at work within the framework of the applicable national law. Insofar as the product manufacture or the provision of services may have a significant impact on the health and safety of its employees, the Partner undertakes to implement and operate a recognized and certified occupational health and safety management system (for example, in accordance with ISO 45001 or OHSAS 18001) and to prove it to the Mercedes-Benz Group on request by presenting a corresponding certificate.

The Partner must establish guidelines on health and safety at work that support the continuous development and improvement of working conditions and provide all employees with regular access to relevant training.

The Partner must protect its employees against work-related hazards in the form of accidents, hazardous substances, and excessive physical and mental stress. The Partner must ensure a safe workplace, the necessary working tools and materials, and adequate protective equipment.

Expectations Towards Partners

The Partner should support the continuous development and improvement of working conditions with the objective of having no occupational accidents and illness. The Partner should have policies and guidelines on occupational health and safety in place and foster a preventive approach according to which occupational accidents and illness can be prevented.

The Partner should conduct regular inspections to warrant employee safety, set ambitious targets in terms of accident rates, deaths and days lost, and report on their progress annually.

The Partner should document all the health and safety trainings provided to its employees and provide them with access to healthcare services. Appropriate services may include, for example, on-site clinics or a system for referring employees to external healthcare providers.

8. Fair Working Conditions (Remuneration and Working Hours)

Minimum Requirements for Partners

The Partner must ensure appropriate remuneration that, at a minimum, is in line with the minimum wage under the applicable law and enables employees to cover their living expenses. The cost of living and social security benefits in the respective country and remuneration for full-time employment must be taken into account. Wages must be paid in full for services rendered and may not be unlawfully withheld.

The Partner must set out clear guidelines for employees' working hours in the sense of ILO Conventions No. 1 and No. 30 on Hours of Work.

The Partner ensures that the working hours are in line with the respective local laws or the respective industry standards should the latter ensure a higher degree of protection.

Expectations Towards Partners

Wages and social benefits should regularly be reviewed to ensure that they allow for an adequate standard of living in consideration of the remuneration for full-time employment. They should be agreed on in negotiations with unions or through alternative forms of participation.

The Partner should join industry initiatives that support wages and salaries that go beyond the statutory minimum.

Overtime should only be provided on a voluntary basis.

9. Use of Public and Private Security Personnel

Minimum Requirements for Partners

If the Partner uses its own security forces to protect its operations or commissions private security service providers, it must warrant that they respect internationally recognized human rights. The Partner may not contract private security staff or use public security forces that fail to respect human rights.

Expectations Towards Partners

The Partner should actively promote the Voluntary Principles on Security and Human Rights in order to warrant that security forces' operations are in line with human rights. For this purpose, the Partner should carry out appropriate checks such as reliability checks for security forces to be deployed in order to be able to exclude their possible links to human rights violations.

The Partner should conduct training for all contracted security personnel on compliance with human rights that must be observed in the course of their work.

The Partner should rectify any negative impacts on human rights caused by private or public security forces in the course of their work on behalf of the Partner and cooperate with the affected parties or their representatives to prevent violations from recurring.

10. Protection of Human Rights Defenders

Minimum Requirements for Partners

In cases where potential risks to human rights defenders arise in connection with the products or services provided, the Partner must speak out against any form of intimidation, threat, defamation, and criminalization of human rights defenders.

Expectations Towards Partners

The Partner should work towards the protection of human rights defenders and declare its commitment to their protection in a publicly available document as well as demand the same commitment from its subcontractors. The Partner should engage in a dialogue with human rights defenders and seek constructive cooperation with them.

11. Protection of Local Communities and Indigenous Peoples

Minimum Requirements for Partners

The Partner assures to respect the rights of local communities and indigenous peoples who may be affected by doing business in the Partner's locations and to take into account the local impact of its business activities. In particular, the Partner must avoid potential adverse impacts on the health, safety, and living conditions of the affected local communities and indigenous peoples by taking appropriate preventive measures. The Partner must neither unlawfully engage in the forced relocation of local communities and indigenous peoples nor unlawfully contribute to their involuntary relocation.

The Partner must uphold the principles of free, prior, and informed consent of indigenous peoples in its activities in the sense of ILO Convention No. 169 on Indigenous and Tribal Peoples in Independent Countries. The Partner must respect the rights of indigenous peoples, their social and cultural heritage, and their environmental and economic interests. This includes their connection to the land and its cultivation as well as other natural resources.

Expectations Towards Partners

The Partner should work together with local authorities and relevant stakeholders in a trustful manner to achieve the best possible outcome for the people affected by these business activities. To this end, they should also actively contribute to the development of the local community and create employment opportunities.

If relocation is absolutely necessary, any disadvantageous social and economic impacts should be minimized and compensated with the aim of restoring the previous living conditions.

The Partner should establish a zero-tolerance policy with regard to land theft in its own supply chains. It should also carry out corrective measures for areas which were unlawfully appropriated in the past.

The Partner should take care to ensure that all activities and communication with local communities are inclusive and culturally appropriate. The Partner should communicate transparently and document all its interactions with local communities.

The Partner should introduce a policy on the protection and conservation of the culture of indigenous communities. It should endeavor to promote the reciprocal exchange of skills and knowledge with indigenous communities.

12. Responsible Sourcing of Raw Materials from Conflict Affected and High-Risk Areas (CAHRAS)

Minimum Requirements for Partners

The Partner undertakes not to commit or contribute to any severe human rights violation, including torture, cruel, inhumane, and degrading treatment, including corporal punishment, sexual violence, war crimes, and crimes against humanity. Suppliers of raw materials that originate from conflict-affected and high-risk areas or are transported through conflict-affected areas and suppliers that use such raw materials in their products must effectively meet their due diligence obligations in the supply chain in order to minimize the risk of actual and potential adverse impacts along the supply chain. They must establish a policy that sets out how they systematically identify and prioritize risks and initiate countermeasures.

Suppliers of 3TG³ (tin, tantalum, tungsten, and gold) and suppliers that use these raw materials in their products must identify and disclose all the smelters and refiners in their supply chains and assess whether they have conducted an OECD-compliant due diligence process. In doing so, suppliers must apply established procedures, such as the Responsible Minerals Assurance Process (RMAP), as a minimum. The supplier shall ensure that the purchase of these materials is made exclusively from refineries and smelters that meet the requirements (status: "Conformant") of the Responsible Minerals Assurance Process (RMAP) of the Responsible Minerals Initiative (RMI) by start of production. As proof, such suppliers provide a Conflict Minerals Reporting Template (CMRT) annually by March 1 at the latest. If a smelter or refinery used does not comply with the requested standard, the Mercedes-Benz Group may require the Partner to remove refineries and smelters that are not RMAP-compliant from the Mercedes-Benz Group supply chains in the long term.

Expectations Towards Partners

The Partner should work with its upstream supply chains to strengthen its ability to assess risks and improve its due diligence measures.

The Partner should collaborate in industry-wide initiatives that work to strengthen entrepreneurial due diligence in raw material supply chains.

³ Including intermediates as defined in Regulation (EU) 2017/821 "Conflict Minerals." Any future extension of the EU regulation to include additional raw materials shall apply accordingly.

The Partner should rectify adverse impacts on human rights that it has caused or contributed to in the past. The Partner should work with the affected parties (for example, through initiatives) to establish systems that prevent recurrence.

Additionally, the Partner should offer training and develop education initiatives to promote respect for human rights within its own business activities and in the community.

Suppliers of critical raw materials and suppliers that use critical raw materials in their products should identify and disclose all the smelters and refiners in their supply chains and assess whether they have conducted an OECD-compliant due diligence process. In doing so, suppliers should at least apply established procedures, such as the Responsible Minerals Assurance Process (RMAP), and, depending on the corresponding risk assessment, introduce appropriate raw material certificates (e.g., IRMA, ASI).

III. Environmental Protection

1. Environmental Due Diligence

Minimum Requirements for Partners

The Partner must ensure that its production processes and all materials, substances, and prefabricated products used in its production comply with the respective applicable environmental regulations as well as additional or supplementary environmental standards. In addition, the Partner must comply with the requirements of the international conventions of Minamata (mercury), Stockholm (persistent organic pollutants), and Basel (hazardous waste). The Partner must systematically identify environmental risks for its own production and its upstream supply chain and take suitable measures according to precautionary principles to prevent or, if this is demonstrably not possible, minimize any environmental threats potentially resulting in environmental damage.

Expectations Towards Partners

The Partner should endeavor to develop and apply its own environmental protection policies and procedures with the support of experts and local stakeholder groups. The Mercedes-Benz Group expects the Partner to go above and beyond the local statutory requirements where necessary. The Partner should report publicly on its targets and approach for reducing and preventing environmental threats and damage and publish information on the corresponding commitments, challenges, and progress made. The Partner should appoint and train employees who are responsible to proficiently record and monitor all the environmental requirements that are relevant to the business operations.

The Partner should actively shape the public dialogue on environmental protection topics and promote cooperation within the industry.

2. Climate Protection

Minimum Requirements for Partners

The Partner must develop suitable corporate goals for its scope 1, 2 and 3 emissions and take measures to help achieve the goals of the Paris Agreement. The Partner must regularly monitor and report on its progress to the Mercedes-Benz Group, especially with regard to its CO₂ footprint at the product level.

In order to reduce its CO₂ emissions, the Partner must follow the principle of avoidance, reduction, and—only when this is not possible—offsetting,⁴ and neutralization.

The Partner must work towards following the Mercedes-Benz Group's 2039 ambition. The Partner must commit to the material- and component-specific CO₂ targets of the Mercedes-Benz Group that are agreed as part of the awarding process and switch to CO₂-neutral products in the medium term. To help achieve these goals, these expectations must also be applied within its own supply chain.

⁴ Cf. Guidelines on the Assessment of Measures and the Calculation of CO₂ Reduction, Mercedes-Benz Supplier Portal.

Expectations Towards Partners

The Partner should have its climate protection targets assessed in accordance with recognized scientific methods such as the Science Based Targets initiative (SBTi).

The Partner should employ efficient technologies and materials and use renewable energy sources.

3. Conservation of Resources

Minimum Requirements for Partners

The Partner must use natural resources, such as water, and technical resources, such as input raw materials and energy, consciously and as economically as possible in its sourcing and production processes, i.e., the Partner must employ efficient and technologically innovative solutions for the use of energy commodities, production commodities, and water in its product sourcing and manufacturing processes.

Furthermore, the Partner must provide the Mercedes-Benz Group with information about its use of secondary materials at product level.

Expectations Towards Partners

Additionally, the Partner should opt to use secondary, bio-based, and renewable materials where these are available, and it is qualitatively and technically feasible to use them. When using new materials, risks must be identified in the context of environmental due diligence, including unintended impacts on the environment and human rights.

The Partner should employ innovative procedures to tap secondary raw material sources or recycle raw materials more effectively in order to make a positive contribution towards the circulatory economy. As a basis for this, the Partner should ensure a high quality of recycling and compliance with the waste hierarchy in the context of its own waste.

4. Biodiversity and Deforestation-Free Supply Chains

Minimum Requirements for Partners

The Partner must ensure that its own business activities do not contribute to or benefit from the illegal conversion of natural ecosystems. This also applies to illegal deforestation, which mainly refers to the conversion of natural forests into usable areas. The Partner must also perform corresponding due diligence with regard to its supply chain.⁵

If the value chains for its products involve the risk of the conversion of natural forests or other natural ecosystems, the Partner must perform due diligence measures to support the long-term protection of these natural ecosystems, including the protection of natural and cultural assets.

⁵ The terms used in this paragraph ("conversion", "natural ecosystems", "deforestation", "natural forests") are based on the definitions published by the Accountability Framework: <https://accountability-framework.org/the-framework/contents/definitions/>.

Expectations Towards Partners

The Partner should prepare and implement obligations, sourcing guidelines, and supplier contracts in accordance with the requirements of the Accountability Framework Initiative (AFI).

The Partner should exercise particular care in regard to biodiversity in connection with lawful deforestation and conversion of other natural ecosystems and strive to eliminate lawful deforestation and conversion of ecosystems from its value chains. The Partner should adopt appropriate and verifiable measures for the promotion of biodiversity.

In cases where natural forests and other ecosystems are nevertheless converted as a result of its own production activities and/or upstream value chain, the Partner should adopt effective and verifiable measures to bring about restoration and/or compensation or provide support for such measures.

5. Water Protection and Water Quality

Minimum Requirements for Partners

The Partner must assess the environmental impact of discharges and soil impairment in order to prevent the contamination of surface water or groundwater. In particular, the Partner must introduce suitable organizational and technical safeguards to ensure that its product sourcing and manufacturing processes do not endanger freshwater or sea water.

Expectations Towards Partners

In regions affected by water scarcity, the Partner should take precautions in order to avoid increasing the existing level of water stress and jeopardizing the population's access to adequate clean water.

6. Hazardous Substances and Waste

Minimum Requirements for Partners

When dealing with chemicals and other hazardous substances that are stored or processed on its business premises and/or created in the course of production, the Partner must carry out corresponding identification and labeling and ensure that suitable storage areas and handling processes are provided and that employees are provided with appropriate instructions. Hazards stemming from these substances, such as air and soil pollution, water contamination, and other harmful impacts, must be prevented to the greatest extent technically possible.

The Partner must establish appropriate waste management systems and procedures to ensure that hazardous waste is carefully classified on-site and collected, stored, treated, and disposed of correctly. The Partner must also ensure that no waste is disposed of illegally.

Expectations Towards Partners

The Partner should minimize the use of chemicals and other hazardous substances, and hence also the generation of hazardous waste. Critically hazardous substances should be replaced by less hazardous alternatives. The Partner should impose the same obligation within the supply chain.

7. Environmental Management Systems

Minimum Requirements for Partners

The Partner must take a systematic approach to environmental protection; suppliers of production materials must establish an environmental management system.

The Partner must regularly review its environmental management system and ensure that opportunities and risks, ambitions, and targets are updated and that the system is operated by proficient employees.

Expectations Towards Partners

The Partner should seek to obtain ISO 14001 or EMAS certification for this environmental management system. As a minimum, this includes the establishment and continuous development and the external validation of the Partner's own production processes and production sites in order to ensure that environmental impacts (for example, due to energy and water consumption, wastewater, air/noise/sound emissions, waste, and hazardous substances) are identified and analyzed systematically. The Partner should report regularly and publicly on the environmental impact of its activities.

8. Energy Management Systems and Energy Efficiency

Minimum Requirements for Partners

The Partner must establish a system for minimizing energy waste, improving its energy efficiency, and lowering its energy consumption.

The Partner must regularly review its energy management system and ensure that opportunities, risks, ambitions, and targets are updated and that the system is operated by proficient employees.

Expectations towards Partners

The Partner should seek to obtain certification for its environmental management system (e.g., ISO 50001). Where possible, the Partner should use renewable energy sources.

IV. Responsible Business Conduct

1. Compliance with Laws

Minimum Requirements for Partners

The Partner must comply with all applicable laws and regulations in its own business activities and in its business relationships with suppliers at a local, national, and international level. The Partner may not actively engage in or participate in criminal practices in any country or in any form, either directly or indirectly.

The quality of the products has a high priority at the Mercedes-Benz Group. In particular, compliance with all product safety-relevant requirements and all technical regulations is the basis for the Mercedes-Benz Group's cooperation with its suppliers. The Partner must comply with the technical regulations that apply to its delivery item in accordance with the contractual and legal agreements (e.g., regulatory conformity, guidelines, laws, and technical standards).

In the case of product-related delivery items and services/work services, in particular, the guidelines and specifications for technical compliance in accordance with the Mercedes-Benz Special Terms 2020 for the Mercedes-Benz Special Terms 36 must also be complied with.

2. Corruption, Bribery, and Extortion

Minimum Requirements for Partners

Within the framework of its commercial dealings with the Mercedes-Benz Group, the Partner is obliged to desist from all practices which may lead to penal liability due to fraud or embezzlement, insolvency crimes, crimes in violation of competition, guaranteeing advantages, bribery, acceptance of bribes, or other corruption crimes on the part of persons employed by the Partner or other third parties. In the event of violation of the above, the Mercedes-Benz Group has the right to immediately withdraw from or terminate all legal transactions existing with the Partner and the right to cancel all negotiations.

The above notwithstanding, the Partner is obliged to adhere to all laws and regulations applicable to both itself and the commercial relationship with the Mercedes-Benz Group.

In transactions involving raw materials, the Partner must, in particular, prohibit the solicitation of bribes intended to conceal or disguise the origin of minerals. Taxes, duties, and license fees paid to governments for extraction, trading, handling, transportation, and export must be disclosed truthfully. Suppliers of raw minerals must undertake to disclose payments in line with the principles of the Extractive Industries Transparency Initiative (EITI).

3. Financial Disclosure and Money Laundering

Minimum Requirements for Partners

The Partner must ensure that all financial information, including the necessary taxes, duties, and license fees in connection with its business activities, is disclosed in accordance with the applicable national and international provisions and industry expectations. The Partner must also make all the necessary changes in order to comply with the applicable regulatory developments.

The Partner must take the necessary steps to identify and rectify any cases or risks of money laundering arising as a result of its business operations and the business operations of its suppliers. The Partner must establish suitable preventive measures for this purpose.

4. Fair Competition

Minimum Requirements for Partners

The Partner must comply with laws protecting and promoting fair competition as well as all applicable antitrust laws. The Partner must observe the rules of fair competition and may not enter into agreements or engage in business practices or behavior that would unlawfully restrict competition. The Partner must observe the prohibition on contracts with competitors and avoid other measures that would distort the free market, as for example, without limitation, unlawfully fixing prices and carving up markets.

5. Conflict of Interests

Minimum Requirements for Partners

In dealing with business partners, the Partner must make decisions solely on the basis of objective information and may not allow itself to be influenced by personal interests. The Partner must disclose potential or actual conflicts of interest and identify an appropriate response.

6. Data Protection and Data Security

Minimum Requirements for Partners

The Partner must comply with all applicable laws and regulations concerning data protection and data security and handle data responsibly and transparently.

The Partner must take the necessary measures to adequately protect personal data. This encompasses the data of employees, customers, suppliers, and business partners.

The Partner warrants information security. The Partner must take the necessary measures to protect confidential information from unauthorized third-party access in accordance with state-of-the-art technologies and may only use this information for the purposes agreed upon.

7. Protection of Intellectual Property

Minimum Requirements for Partners

The Partner must comply with all applicable national and international laws concerning the protection of intellectual property. Intellectual property includes registrable intellectual property rights (for example, patents, trademarks, and designs), domains, copyrights, and requirements under competition law. The Partner must also take care to ensure that it holds all the necessary rights of use to avoid infringements of intellectual property rights.

8. Sanctions

Minimum Requirements for Partners

The Partner must ensure that it observe all applicable national and supranational sanctions and trade embargoes. The Partner must therefore take all necessary measures to avoid the risk of sanction violations.

9. Artificial Intelligence

Minimum Requirements for Partners

Partners that develop and/or use artificial intelligence (especially machine learning and deep learning) must ensure that artificial intelligence is used and handled responsibly, that its use can be explained, that privacy is protected, and that its use is safe, secure, and reliable. In this context, they must follow an approach that ensures that development remains human-centric and that risks and opportunities are taken into account in equal measure.

10. Animal Protection

Expectations Towards Partners

The Partner should implement standards and best practices in order to comply with the following ethical principles:

- The Five Freedoms of the British Animal Welfare Committee (AWC) to assess animal welfare (freedom from hunger, thirst, and malnutrition, freedom from discomfort, freedom from pain, injury, and disease, freedom from fear and distress, and the freedom to express normal behavior).
- The standards of the World Organization for Animal Health (OIE) on animal welfare (Terrestrial Animal Health Code and Aquatic Animal Health Code)
- The 3R principles for animal testing (Reduction, Refinement, Replacement). The goal of the 3R principle is to completely avoid animal testing altogether (Replacement) and to limit the number of animals (Reduction) and their suffering (Refinement) in tests to the minimum necessary.

Whistleblowing

Complainants may report any violations of these standards to the Mercedes-Benz Group using Mercedes-Benz Group's whistleblower system, the Business Practices Office (BPO).⁶ If a violation falls within the sphere of influence of the Partner, the associated risks must be remediated by the Partner immediately. The Partner is also obliged to make its supply chains aware of the available channels for reporting complaints, ensure that this information is passed on to the deeper levels of the supply chain, and establish an equivalent complaints format for its own supply chain.

The Partner must use its reasonable best efforts to ensure that an equivalent reporting obligation is included in contracts with subcontractors, with subcontractors being required to submit the corresponding whistleblowing reports to the Partner.

⁶ Contact details and information on the BPO: <https://group.mercedes-benz.com/unternehmen/compliance/bpo/>.

References

- International Bill of Human Rights, comprised of: Universal Declaration of Human Rights, UN International Covenant on Civil and Political Rights, UN International Covenant on Economic, Social and Cultural Rights
- UN Guiding Principles on Business and Human Rights
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- OECD Guidance for Responsible Business Conduct
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- OECD-FAO Guidance for Responsible Agricultural Supply Chains
- German National Action Plan (NAP) on Business and Human Rights
- Mercedes-Benz Integrity Code
- Mercedes-Benz Principles of Social Responsibility and Human Rights
- Fundamental Conventions of the International Labour Organisation (ILO):
 - ILO Convention No. 138 on Minimum Age
 - ILO Convention No. 182 on the Worst Forms of Child Labour
 - ILO Convention No. 29 on Forced or Compulsory Labour
 - ILO Convention No. 105 on the Abolition of Forced Labour
 - ILO Convention No. 111 on Discrimination (Employment and Occupation)
 - ILO Convention No. 100 on Equal Remuneration
 - ILO Convention No. 98 on Right to Organize and Collective Bargaining
 - ILO Convention No. 87 on Freedom of Association and the Right to Organize
- Further relevant ILO Conventions:
 - ILO Convention No. 155 on Occupational Safety and Health
 - ILO Convention No. 183 on Maternity Protection
 - ILO Convention No. 169 on Indigenous and Tribal Peoples
 - ILO Convention No. 131 on the Determination of Wages
- ISO 45001 Standard for Occupational Health and Safety
- Voluntary Principles on Security and Human Rights
- Declaration on the Right and Responsibility of Individuals, Groups and Organs of Society to Promote and Protect Universally Recognized Human Rights and Fundamental Freedoms
- Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)
- United Nations Declaration on the Right of Indigenous Peoples
- OHCHR Basic Principles and Guidelines on Development Based Evictions and Displacement
- Paris Climate Agreement
- Mercedes-Benz Ambition 2039
- ISO 14001 Standard for Environmental Management
- ISO 50001 Energy Management
- Extractive Industries Transparency Initiative
- Minamata Convention on Mercury
- Stockholm Convention (POPs)
- Basel Convention

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