

DAIMLER

**MERCEDES-BENZ FINANCIAL  
SERVICES AUSTRALIA PTY LTD**

2020 MODERN SLAVERY STATEMENT

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## A message from the CEO

Mercedes-Benz Financial Services Australia Pty Ltd (“**MBFSAu**”) is pleased to provide our first statement under the *Modern Slavery Act 2018* (Cth) (“**Act**”) in recognition of the global concern about Modern Slavery in supply chains.

MBFSAu is part of the wider Daimler Group of companies; and as part of this MBFSAu has locally incorporated and enacted global initiatives that have been implemented by our ultimate parent company, Daimler AG (“**Daimler**”). MBFSAu and the wider Daimler group of companies (“**Daimler Group**”) recognise that Modern Slavery cannot be eradicated immediately, but are committed to observing human rights obligations and the general objectives of the Act. 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 to uphold these values, we set out our standards and expectations with each of our suppliers, including in our Integrity Code, Supplier Sustainability Standards, tender processes and supplier agreements.

MBFSAu 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 MBFSAu’s Board of Management on 2 June, 2021.



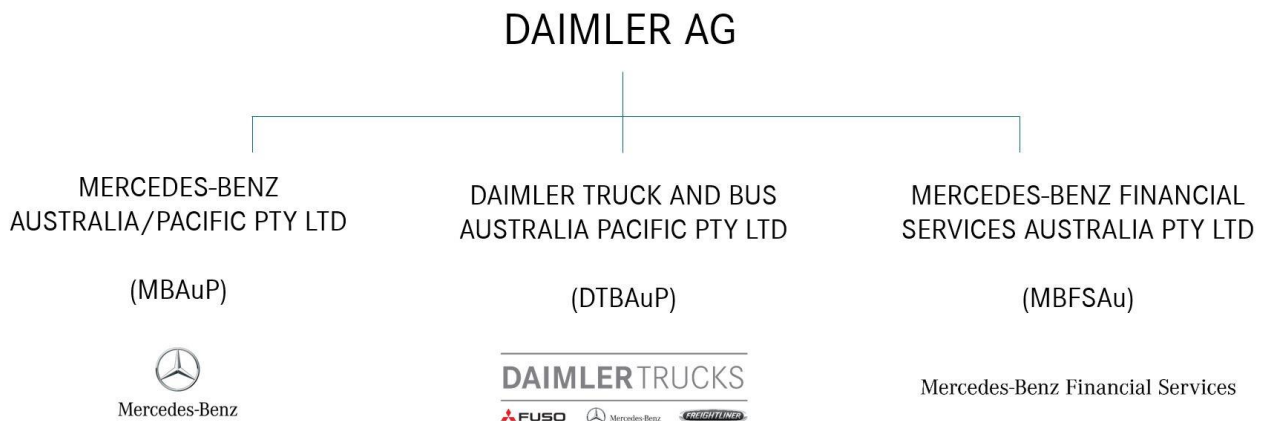
Juergen Rochert  
Managing Director and Chief Executive Officer  
Mercedes-Benz Financial Services Australia Pty Ltd

## Section 1. Introduction

This inaugural Modern Slavery statement covers MBFSAu activities over the financial year ending 31 December 2020. It has been prepared to comply with the requirements of the Act in order to meet the mandatory criteria as outlined in the Australian Border Force publication *Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities*.

MBFSAu has been operating in the Australian market since 1996 and is responsible for providing a comprehensive range of automotive financial services. The products range from leasing and financing options for Dealers and the management of commercial fleets to insurance, banking services and innovative mobility services to Australian business and consumers

MBFSAu also operates alongside MBAuP and DTBAuP. The ultimate parent company of all three entities is Daimler, and as such, all three entities are part of the worldwide Daimler Group.



## MBFSAu LOCATIONS:

MULGRAVE, VIC

176

### MBFSAu EMPLOYEE OVERVIEW IN AUSTRALIA (as at 31 December 2020)

For the purposes of this statement, the term “**Modern Slavery**” is used to describe the most serious forms of exploitation and encapsulates, but is not limited to:

- **Child slavery** – includes child trafficking, child soldiers, child marriage and child domestic slavery. Child slavery is often confused with child labour. Whilst child labour is harmful for children and hinders their education and development, child slavery occurs when a child is exploited for someone else’s gain.
- **Debt bondage** – occurs when people borrow money they cannot repay and are required to work to pay off the debt. This causes people to lose control over the conditions of both their employment and the debt.

- **Descent-based slavery** – occurs when people are born into slavery because their ancestors were captured and enslaved and therefore they remain in slavery by virtue of descent.
- **Domestic servitude** – when employees work in private homes and are forced or coerced into serving and/or fraudulently convinced that they have no option to leave.
- **Forced and early marriage** – when someone is married against their will and cannot leave the marriage. Child marriages can be considered a form of slavery.
- **Forced labour** – involves any work or services which people are forced to do against their will under the threat of some form of punishment.
- **Human trafficking** – involves transporting, recruiting or harbouring people for the purpose of exploitation, using violence, threats or coercion.
- **Sex trafficking** – involves people, including children, being forced into the commercial sex industry and held against their will by force, fraud or coercion.

As a result of Modern Slavery, there are an estimated...

**21-40 MILLION PEOPLE** enslaved around the world,  
with women and girls disproportionately represented, making up **71%**

Between 2015-2017, there were an estimated...

**1,900 VICTIMS OF MODERN SLAVERY** in Australia, where  
**4 OUT OF 5 VICTIMS** are going undetected

Globally, it is Daimler's goal to bring transparency to its supply chains. This presents a great challenge, as transparency cannot be achieved at the press of a button. For this reason, experts from various specialist departments at a global level, such as Procurement & Supplier Quality, Compliance and Corporate Responsibility, work very closely together to progress the topic from a variety of perspectives. This strategy, both globally and locally, puts us on an excellent path towards ensuring respect for human rights in our supply chains.

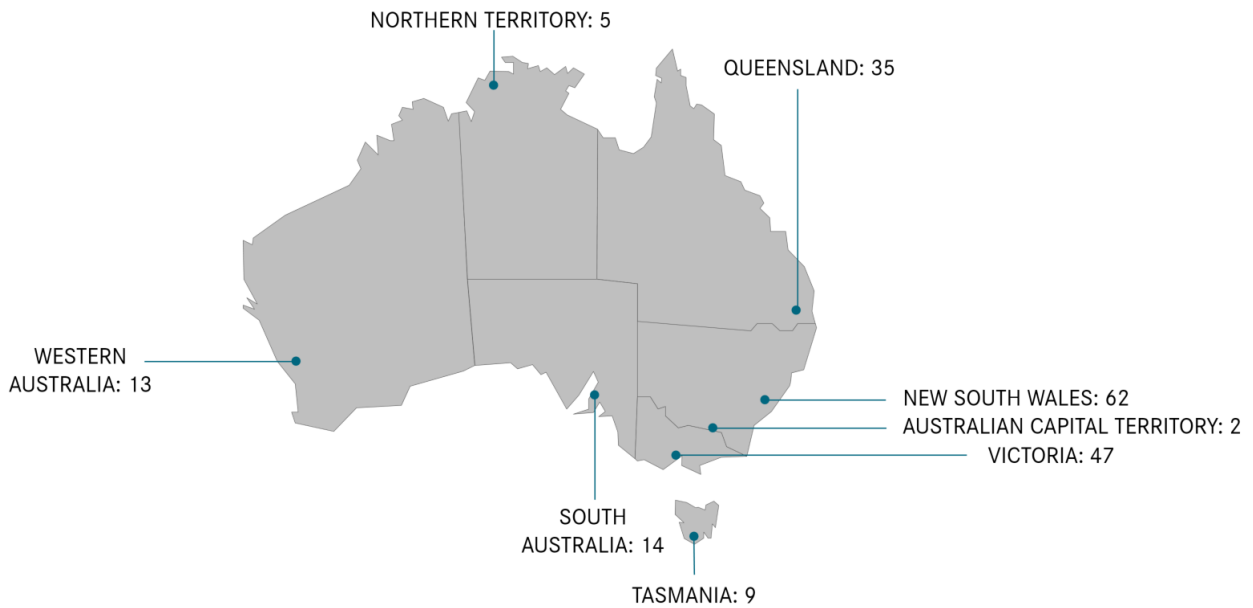
This statement outlines the measures we have taken in 2020 to strengthen our local policies and procedures to ensure we play our part in the detection and mitigation of Modern Slavery risks within our supply chains.

## Section 2. Overview of Supply Chain

MBFSAu are committed to upholding respect for human rights, which is a central aspect of its sustainable business strategy. MBFSAu endeavours to ensure these fundamental rights are respected and measures are implemented to address Modern Slavery both within its own business and throughout its supply chain.

The Daimler Group are the importers, distributors and wholesalers of a range of component parts and vehicles. They also offer tailored Mobility and Financial Services solutions.

Tailor-made financial solutions are offered through (“**MBFSAu**”) including credit applications, protection products, payment estimators as well as leasing and financing options. These solutions are offered from both (“**DTBAuP**”) and (“**MBAuP**”) Dealership Network of over 150 Retailers throughout Australia as well as via the Mercedes Me App.



### MBFSAu NETWORK

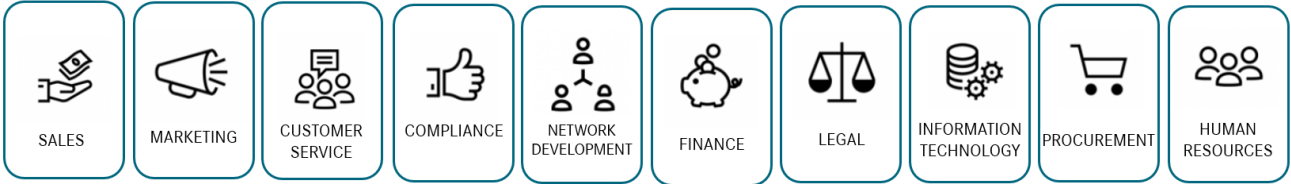
From an operations perspective, locally DTBAuP, MBAuP and MBFSAu work collectively with suppliers for goods and services located both domestically and overseas.



### WORLDWIDE SUPPLY PARTNERS

## OVERVIEW OF OPERATIONS

These suppliers play an essential role to MBFSAu's internal operations as they help support the offering of financial solutions, which includes but are not limited to: government departments, settlement payment dealers (dealers and third party suppliers) and operating expenses vendors.



These goods and services are sourced through a policy-defined process, where third party suppliers are issued purchase orders typically after a sourcing process.

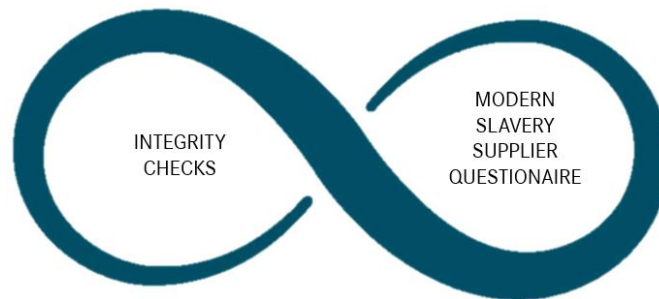
### Section 3. Identifying Potential Risks in Our Supply Chains

MBFSAu have not identified any severe risk of Modern Slavery in our local supply chains thus far. Generally, there is a low risk in our direct product line, however, we consider there to be risks when procuring wider services such as clothing, food, vehicle parts and electronics.

Below is a snapshot of some potential risks we consider may be associated to our supply chain:

Risk	Description
Raw materials	There are a range of raw materials that are used in our products, which can include steel, rubber, plastic and mica. Some of these materials have a heightened risk of Modern Slavery, such as child labour and debt bondage.
Lack of visibility	We recognise we have decreased visibility over contracted and subcontracted labour and third party manufacturing, which increases the risk of Modern Slavery, such as forced labour. Following the COVID-19 pandemic, we expect this risk to have increased.
Labour exploitation	Although not direct risks, we are aware and recognise the risks of labour exploitation in various sectors we are associated with, such as the resources sector.

Locally, MBFSAu continually aims to identify potential risks of Modern Slavery within its immediate supply chain. As part of this process, all new suppliers, as well as continuing suppliers, are subject to MBFSAu’s due diligence processes which include the following:



#### Integrity Checks

As a part of our compulsory pre-screening process, MBFSAu conducts integrity checks on suppliers to ensure they not listed on any international sanctions lists. If there are any concerns raised by the integrity check, these are escalated to our Legal team, and then to our Board of Management, who will decide on a case by case basis, depending on mitigating factors, whether or not to engage with the prospective supplier.

#### Modern Slavery Supplier Questionnaire

After completing our Integrity Checks, but before entering into any new agreement to conduct business with a prospective supplier, the supplier must complete a Modern Slavery Supplier Questionnaire (“**Questionnaire**”) as part of a compulsory pre-screening process to ensure all Modern Slavery risks are identified prior to engagement.



MBFSAu also requires its existing suppliers to complete the Questionnaire annually to ensure MBFSAu are continually able to identify and assess Modern Slavery risks. This includes at the time of renewing any agreement with existing suppliers, to ensure no new risks have developed within the existing supplier's operations.

The Questionnaire assesses whether the supplier is aware of or has identified, assessed and addressed any risks of Modern Slavery within its supply chains. If a supplier indicates any risk of Modern Slavery within its supply chains, this is escalated to our Legal team, and then to our Board of Management, who will decide on a case by case basis, depending on mitigating factors, whether or not to engage with the prospective supplier.

In 2020, we sent a total of 283 questionnaires to local suppliers. Of the responses we received, many suppliers confirmed they had implemented ongoing measures to continuously identify, assess and address Modern Slavery. This included measures such as having policies in place related to human rights or Modern Slavery specifically, wider code of conducts or compliance measures, ethical sourcing policies, due diligence processes, on-boarding and audit processes, contract requirements in standard templates, training, and other forms of risk assessments.

There were a total of 29 responses, with 12 of these suppliers indicating they were not required to submit a Modern Slavery Statement. Most of these suppliers either were sole traders/small businesses or were subject to New Zealand laws.

We only had three suppliers that responded saying they may have potential risks of Modern Slavery in their supply chain, however, these were only in reference to low risks which were actively being assessed or in consideration for suppliers being utilised in higher risk countries. The majority of suppliers we received responses from were not aware of any specific risks.

For our suppliers who were required to submit a Modern Slavery Statement, it was consistent across the board that was their first point of action.

Suppliers of larger corporations with more extensive supply chains have dedicated procurement functions, ensuring their processes are legal, ethical, socially responsible and comply with all regulatory requirements. Where a particular supplier indicated they conduct vendor pre-screening and have implemented a questionnaire to eliminate high-risk suppliers. Furthermore, a supplier even goes further as to having a "Zero-Tolerance" approach if a vendor does not implement corrective actions to remove any foreseeable risks.

It was also found that suppliers did not only implement preventative measures to address external risks, but were also proactive to addressing internal risks. Such suppliers did so through comprehensive Code of Ethics, internal training procedures, compliance policies and boards and risk assessment procedures. Interestingly, such policies and procedures were found to be implemented with suppliers across suppliers who were and were not required to submit Modern Slavery Statements.

For our suppliers of smaller businesses and/or sole traders, it was consistent that they were not subjected to the same risks as those that came with a larger amount of employees or extensive supply chains.

At a global level, Daimler has implemented processes to assist in identifying risks in its global supply chains. Daimler published a Sustainability Report for 2020 ("**Report**") which outlined processes forming part of the Daimler Group's risk management strategy, which have been locally adopted by MBFSAu. As part of Daimler's general risk assessment, it was found that twenty four (24) critical raw materials presented potentially higher risks of Modern Slavery and required a more in-depth risk analysis. This comprehensive human rights assessment on raw materials is a longer term project, with the aim of completion by 2028.

Daimler values human rights and have also implemented the following initiatives across the Daimler Group:

(1) Human Rights Respect System ("**HRRS**")

This allows for risk-based and systematic assessments of human rights in the Daimler Group and its supply chains.

(2) Social Compliance Department

This is the area set up specifically to lead the implementation of Daimler's human rights due diligence approach for the Daimler Group.

(3) Integrity Code

This provides all Daimler Group employees with information about human rights and raises general awareness of the corresponding risks.

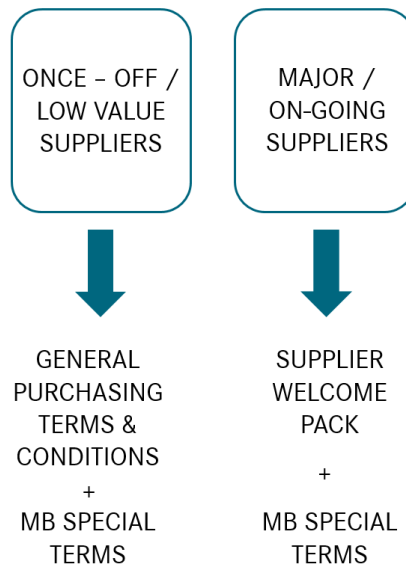
Both locally and globally, there is a continual expansion and improvements to the due diligence processes to protect human rights, and ensure potential risks of Modern Slavery are identified within our supply chains.

## Section 4. Actions taken to Assess and Address Identified Risks

MBFSAu has implemented the following processes, policies and practices to assess and address any potential and identified Modern Slavery risks.

### PROCUREMENT

All new suppliers, as well as continuing suppliers, are subject to our due diligence process.



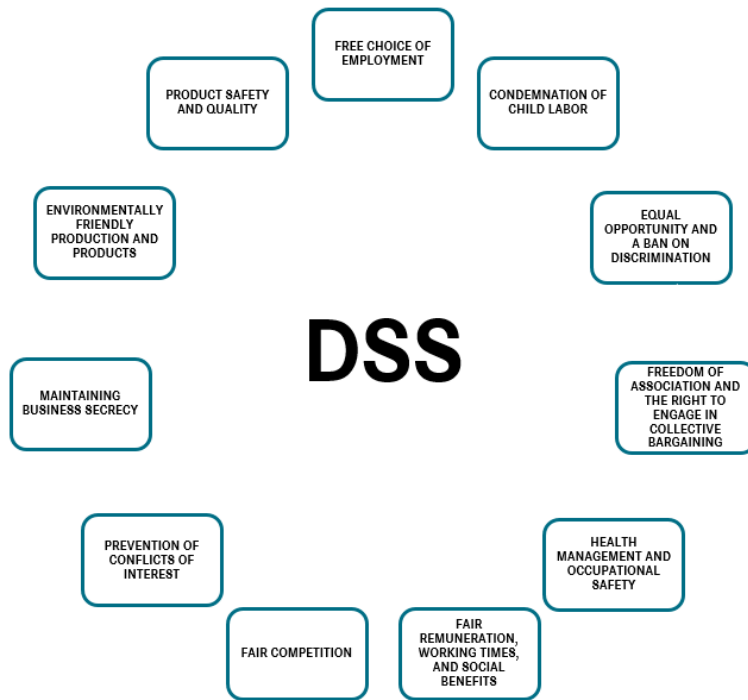
#### Supplier Welcome Pack

After a supplier passes the compulsory integrity check outlined in Section 3 of this statement, they are issued with a 'Supplier Welcome Pack'. This pack contains information regarding the Daimler Group's Integrity Code (further information below), the Daimler Sustainability Standards and our General Purchasing Terms and Conditions.

#### Daimler Sustainability Standards (DSS)

Daimler's expectations for sustainability management in the supply chain is outlined in the DSS. The expectations are grounded in reliability, transparency, communication and sustainability. The purpose of the DSS is to establish a common standard of performance, to educate and to encourage commitment to responsible business operations.

The DSS sets standards and clearly describes our expectations with regard to:



Our suppliers must ensure that the DSS is observed by all their subcontractors and suppliers. We rely on direct suppliers to communicate and actively promote the DSS through their entire supply chain.

The DSS refers to international standards such as the United Nations Global Compact and the International Labour Organisation’s International Labour Standards. Whenever the provision of national or international laws, industry standards and the DSS address the same subject, the stricter regulation applies.

General Purchasing Terms and Conditions

Supplier engagement is generally governed by our General Purchasing Terms and Conditions.

This document contains a clause requiring the supplier not to engage in Modern Slavery and/or child and forced labour. At the time of publication of this statement, Suppliers are required to warrant that they:

- 1 Will **NOT ENGAGE IN MODERN SLAVERY** in performing the services;
- 2 **DO NOT PROCURE GOODS OR SERVICES** from organisations *that engage in, or are reasonably believed to engage in*, Modern Slavery;
- 3 Will *implement appropriate measures* to **CONTINUOUSLY IDENTIFY, ASSESS AND ADDRESS RISKS** of Modern Slavery in their supply chains; and
- 4 Will **PROMPTLY NOTIFY US** if they become *aware of suspected or actual* Modern Slavery in their supply chains, in which case they will **TAKE ALL REASONABLE STEPS TO PROPERLY ASSESS AND ADDRESS** the actual or suspected Modern Slavery to our reasonable satisfaction; and
- 5 Will place **SIMILAR CONTRACTUAL OBLIGATIONS** on their own suppliers and subcontractors.

Similar warranties have also been included in our standard form supplier agreement and tender documentation and process to ensure that any new suppliers and relationships align with the DSS.

The Supplier Welcome Pack and our contractual clauses relating to Modern Slavery are continuously reviewed and updated to ensure they meet legal and regulatory requirements and to ensure the latest regulations and expectations of MBFSAu are reflected.

#### Mercedes-Benz Special Terms

Daimler have introduced Mercedes-Benz Special Terms (“**MBST**”), which must be implemented by MBFSAu and form part of our contracts with our suppliers. The MBST define the standards and criteria that Daimler’s suppliers must meet, including the prohibition of child labour and forced labour. The supplier must certify that no exploitative child labour is or was involved in producing the products or services to be delivered to or used by the relevant Daimler entity. The MBST further mandates that a supplier must not employ anyone against their will or force them to work, and that employees must be free to leave their employment with the supplier on provision of reasonable notice. The supplier must also forward the DSS to its suppliers, placing similar contractual obligations on their own suppliers and subcontractors and further monitor and assess compliance in their own supply chain.

MBST provides MBFSAu with audit rights to confirm a supplier’s compliance with their Modern Slavery obligations.

### **DAIMLER GROUP POLICIES & TRAINING**

#### Daimler Integrity Code

The Daimler Integrity Code (“**Code**”) was enacted by Daimler worldwide in November 2003.

The Code covers all laws and regulations related to our business as well as providing a guideline for corporate principles and behaviour. The Code includes guidelines on:

- respect for human rights;
- environmental protection;
- protection of personal data;
- maintaining appropriate relationships with government officials and suppliers;
- protection of company assets; and
- corporate social responsibility.

#### Whistleblowing / Treatment of Violations Policy

The Daimler Whistleblower System was established by Daimler in 2006.

In addition, as mandated by section 1317A1 of the *Corporations Act 2001* (Cth) (“**Corporations Act**”), MBFSAu has a policy outlining the protections that will be afforded to employees, directors and/or suppliers who report serious wrongdoing at MBFSAu in accordance with Part 9.4AAA of the Corporations Act.

The Whistleblowing Policy supports employees and third parties reporting concerns regarding unethical or illegal conduct, including in relation to Modern Slavery.

Employees may elect to report violations to their manager, or if they wish to remain anonymous, employees and external whistleblowers are able to report to our Business Practices Office in Stuttgart, Germany (“**BPO**”), via phone, email or an online portal.

After receipt of the report, the BPO conducts an initial risk-based assessment of the potential violation. For all high risk reports to the BPO, an initial legal review of the report is carried out. If the review finds that the suspicions are substantiated, the case is assigned to the appropriate Daimler investigative unit with specific orders to conduct an investigation into and report on the matter.

#### All staff training on the Code and Treatment of Violations Policies

Every MBFSAu employee must complete a compulsory e-Learning module on the Code and Whistleblowing / Treatment of Violations Policy once every two years.

In addition, every MBFSAu employee must sign a confirmation that they will comply with the Code before commencing their employment.

#### Specialised training for Procurement Team

The 'front-line' nature of the work of our procurement team makes them one of the most important layers of protection for MBFSAu in assessing the risk of Modern Slavery to our business. As such, we recognise the need to educate and empower our team to identify risks or instances of Modern Slavery and take the actions required to assess and/or escalate these findings appropriately.

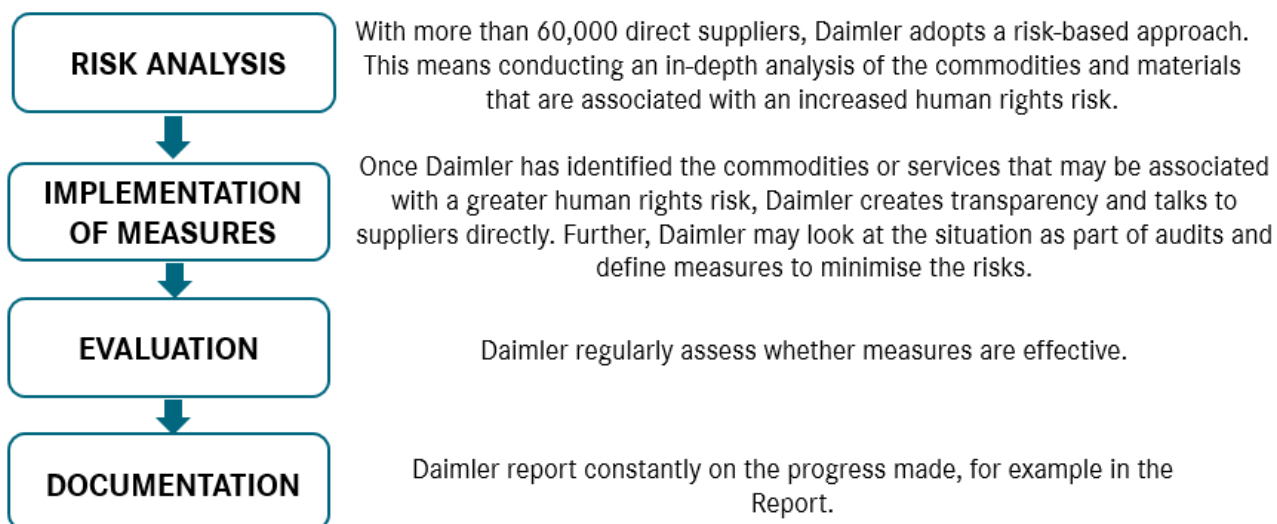
We provided our Procurement team with an inaugural tailored training on Modern Slavery risk identification and due diligence processes in 2020. The training covered the following:

- an **OVERVIEW OF MODERN SLAVERY** and the forms this can take;
- the **NEW LEGISLATION** and **MANDATORY REPORTING CRITERIA** in Australia;
- a snapshot of our **CORE MANUFACTURER PARENT COMPANY INITIATIVES** in Germany, North America and Japan;
- GENERAL UPDATES** to **internal documents** and **supplier terms**; and
- the **ESCALATION PROCESS** if any Modern Slavery risks are **identified**

#### The Daimler HRRS

As mentioned in Section 3 above, Daimler has developed a HRRS that helps the Daimler Group identify and avoid systemic risks in our supply chains and potential negative consequences of our business activity on human rights.

The HRRS is based on our group-wide Compliance Management System. Daimler conduct audits as part of this, through a risk based approach. It comprises four steps in order to make the highly complex issue of human rights easier to manage:



## Section 5. How we assess the effectiveness of those actions taken

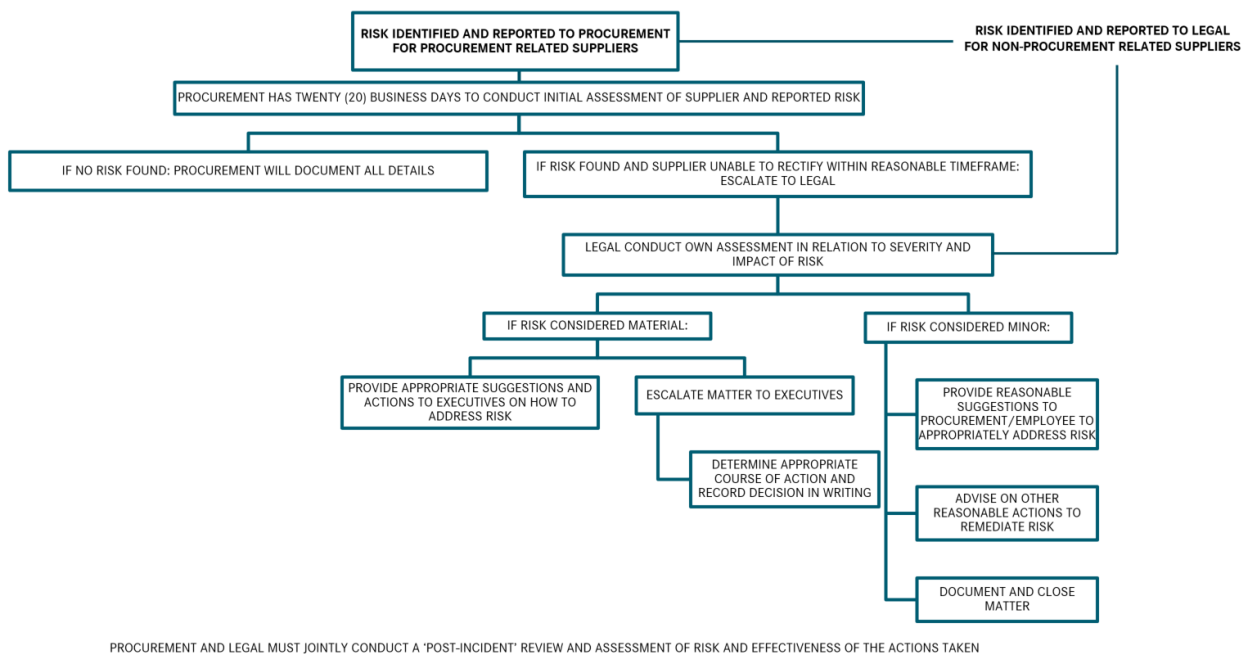
While MBFSAu and the Daimler Group are taking a multifaceted approach to mitigating the risks of Modern Slavery within our supply chains, there are currently no agreed units of measurement or international standards to effectively and credibly measure the efficacy of our approach.

### Modern Slavery Risk Reporting Process

Notwithstanding this challenge, MBFSAu has implemented a Modern Slavery Risk Reporting process and conducts active and ongoing reviews of every Questionnaire response we receive from a supplier, as outlined in Section 3 above.

MBFSAu is committed to investigating, assessing, and appropriately handling Modern Slavery risks within its business, including any infiltration through its supply chain. Our Modern Slavery Risk Reporting Process has been developed to provide a uniform understanding on what constitutes a Modern Slavery risk and the process for reporting and handling such risks.

At a high level, the process is as follows:



## **Section 6. Process of consultation with subsidiary entities in preparing the statement.**

MBFSAu consulted with representatives from the Daimler Group in preparing this statement.

MBFSAu and the Daimler Group recognise the need for a coordinated approach to addressing the risk of Modern Slavery in its distinct and shared work force and supply chains.



DAIMLER