



LSH AUTO

LSH Auto Australia

MODERN SLAVERY STATEMENT

2022



1. Introduction

This statement is made by LSH Auto (Sydney) Pty Ltd (ACN 604 103 915), LSH Auto (Brisbane) Pty Ltd (ACN 606 816 497) and LSH Auto (Melbourne) Pty Ltd (ACN 618 554 635) (**LSH Auto Australia, we, us, our**) and describes the risks of modern slavery in our operations and supply chains and the steps we took during the year ending 31st December 2022 to minimise those risks.

2. Our Structure, Operations and Supply Chains

LSH Auto Australia is the Australian subsidiary of LSH Auto Holdings, one of the world's largest dealer groups for Mercedes-Benz cars and vans. Our businesses specialise in the sale of luxury motor vehicles, vehicle servicing and repairs, parts retailing and wholesaling and collision repair.

Reporting Entity	Trading Name	Address
LSH Auto (Sydney) Pty Ltd	Mercedes-Benz Sydney	43-47 O'Riordan Street, Alexandria NSW
LSH Auto (Brisbane) Pty Ltd	Mercedes-Benz Brisbane	194 Breakfast Creek Road, Brisbane QLD
LSH Auto (Melbourne) Pty Ltd	Mercedes-Benz Melbourne	135 Kings Way, South Melbourne VIC

LSH Auto (Melbourne) Pty Ltd wholly owns LSH Auto (Sydney) Pty Ltd and LSH Auto (Brisbane) Pty Ltd. LSH Auto (Melbourne) Pty Ltd does not own any other entities apart from these two subsidiaries. Furthermore, the Brisbane and Melbourne subsidiaries do not own or control any other entities

In FY22, we employed approximately 500 employees and operated 10 business units across New South Wales, Queensland and Victoria. Our employees across all three locations performed the following types of roles:

Executives (Head Office)	Dealer Principal
Department Managers	Sales Executives
Business Managers	Administrative Support
Mechanical Technicians	Parts Personnel
Service Advisors	

The supply chains supporting all three entities are similar and include the following categories of goods and services: authorised vehicles and parts provided by Mercedes-Benz Group, consumables such as oil, fuel, paint and lubricants, logistics and transport services, car washing and detailing services, sublet, recruitment services, marketing and printing services, corporate merchandise, building maintenance and repairs, cleaning, storage and waste disposal services, professional services, finance products, insurance, property rental and vehicle storage, information technology hardware and software, telecommunication products and services, coffee, food and beverage, gift hampers and office supplies. With the exception of vehicles and parts, the majority of our direct suppliers are based in Australia.

OEM supply chain

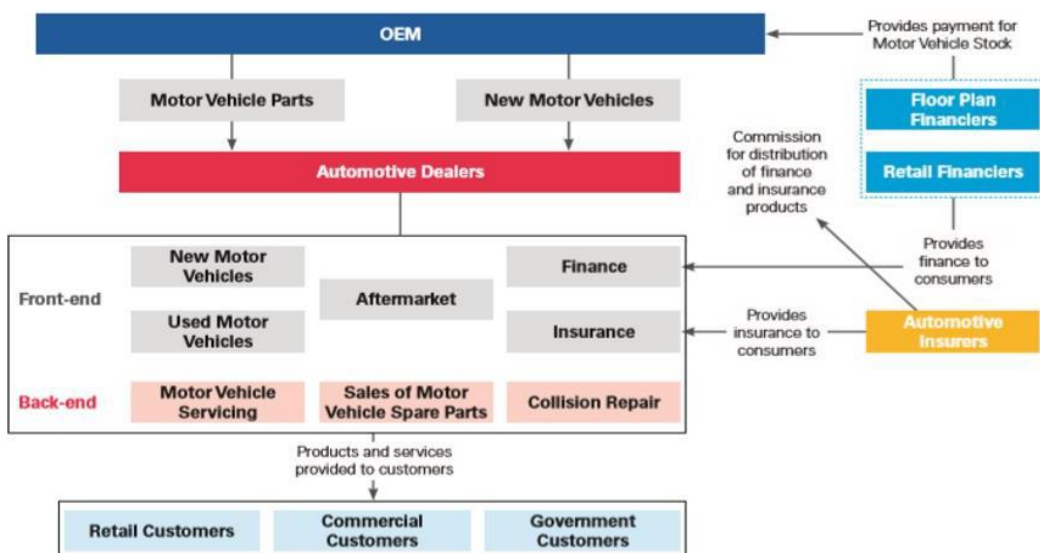
As all vehicles and parts are sourced from Mercedes-Benz Group, we have relied on the description of their supply chain as contained in the 2022 modern slavery statement of Mercedes-Benz Australia Pacific Pty Ltd (**MBAuP**) which states that component parts and vehicles are sourced from:

- Mercedes-Benz Germany (Affalterbach, Berlin, Bremen, Hamburg, Kamenz, Rastatt, Sindelfingen and Stuttgart plants)
- Beijing Benz Automotive Co., Ltd
- Mercedes-Benz Tuscaloosa
- Mercedes-Benz East London
- Mercedes-Benz Mexico
- Mercedes-Benz Romania (Sebes and Cugir Plants)
- Mercedes-Benz Kecskemét (Hungary);and
- Mercedes-Benz Jawor (Poland).

According to the supply chain website of Mercedes-Benz Group¹, their vehicles generally contain several thousand parts and components. Mercedes-Benz Group's supply chain comprises approximately 40,000 direct suppliers. These in turn have sub-suppliers. Sometimes one supply chain has up to seven or eight sub-levels. At one stage, there can be up to 20 sub-suppliers.

3. Overview of the Australian Automotive Dealership Industry

By way of background, the diagram below depicts the business model supporting our operations as an automotive dealership in Australia. As noted above, in our business, Mercedes-Benz Group is the OEM that supplies us with new motor vehicles and parts. During FY22, LSH Auto Australia's overall procurement spend to bring in new vehicles and parts equated to \$103,638,762 (approximately 75%) for new vehicles and \$35,043,947 (approximately 25%) for parts.



¹ <https://group.mercedes-benz.com/sustainability/human-rights/supply-chain/>

4. Approach to Assess Modern Slavery Risks

LSH Auto Australia’s Modern Slavery Plan, in respect of the FY22 reporting period, was overseen by the Compliance Committee, reporting to the Executive Committee throughout the year in relation to our progress with the Modern Slavery Plan.

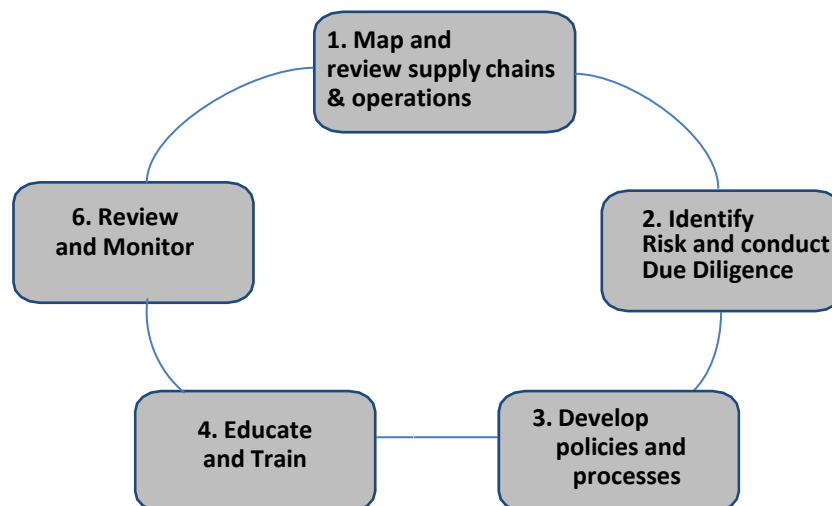
As noted in our previous statements, the core stakeholders in the Compliance Committee with responsibility for the maintenance and implementation of the Modern Slavery Plan include the LSH Auto Australia’s Compliance Officer and the Head of Human Resources. These stakeholders have oversight across all three reporting entities.

Collectively, they assess, manage and report on modern slavery risks, conduct due diligence activities and manage reporting obligations. During the FY22 reporting period, the Compliance Committee provided updates to the Executive Committee, comprising the Managing Director, Chief Financial Officer, all Heads and the regional Dealer Principals on the implementation of the Modern Slavery Plan. The Managing Director and Chief Financial Officer also has final sign off on the Modern Slavery Plan annually.

With an ever-increasing focus on ESG, of which modern slavery falls within the “S” pillar, our Executive Committee continued to accentuate the role of responsible business conduct. In the spirit of collaboration and knowledge sharing within the business community, LSH Auto Australia supported a thought-leadership event during FY22, focussing on the impact of ESG. Dr David Cooke, the Chair of the UN Global Compact Network Australia presented on the role businesses have to respect the human rights of workers in supply chains.

Modern Slavery Plan

As noted in our previous statements, the key steps of our Modern Slavery Plan are set out below.



During the FY22 reporting period, we continued to provide modern slavery training to our employees and undertook a risk-based approach to modern slavery due diligence with our direct suppliers. We also continued to stay abreast of global developments in relation to salient modern slavery risks, namely, the allegations of forced labour in the supply chains of motor vehicle manufacturing sector, as reported by the Helena Kennedy Centre at Sheffield Hallam University in December 2022. To better understand the actions being taken by the OEM we stock, we considered the modern slavery statement published by Mercedes-Benz Australia/Pacific Pty Ltd (MBAuP) in June 2022 and the Principles of Social Responsibility and Human Rights published by Mercedes-Benz Group AG in June 2022.

As stated in our 2021 modern slavery statement, we continue to rely on the due diligence measures and governance framework implemented by the Mercedes-Benz Group to assess and address the modern slavery risks within their global supply chains.

MPAuP's 2022 modern slavery statement noted that, "as part of Mercedes-Benz Group's general risk assessment, it was found that twenty four 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." We take comfort in the human rights due diligence processes undertaken by Mercedes-Benz Group as articulated in their Principles of Social Responsibility and Human Rights.

Remediation

We recognise that grievance mechanisms are the cornerstone to remediation. They provide a procedure through which a grievance can be raised by affected workers, assessed, investigated and remediated.

LSH Auto Australia's Whistleblowing Policy was updated on 1 March 2022 and is accessible online.² A report can be made pursuant to this Policy if someone suspects that an LSH Auto Australia director, officer, employee, contractor, supplier, tenderer or other person who has business dealings with LSH Auto Australia has engaged in conduct involving modern slavery within our business or supply chains. Modern slavery is specified as one of the categories that fall within reportable conduct. The Policy also sets out the protections in place for whistleblowers and the process for investigation of reportable conduct.

Although we have not received any reports to date in relation to modern slavery via our whistleblowing channels, we continue to collect data on the use of the grievance mechanism (including the number of claims filed, addressed and resolved). We endeavour to use this data to assess and improve the grievance mechanism, identify key risk areas and patterns in human rights impacts.

LSH Auto Australia appointed Human Resources to be responsible for the handling of complaints or suspected instances of modern slavery. We recognise that there is no one size fits all approach to remediation in respect of modern slavery as each matter is unique and should be handled in a way that is proportionate to the harm and puts the victim first.

5. Potential Risks of Modern Slavery in our Operations and Supply Chains

As our business structure and operations remains largely unchanged from year to year, the description of modern slavery risks in our previous modern slavery statements remain current and applicable to the FY22 reporting period.

Recapping on our initial risk assessment of our industry, country of operation and the policies and procedures we have in place in respect of our workforce, the risk of modern slavery in our operations remains low. For example, in terms of our recruitment processes, all staff are screened prior to employment for their right to work in Australia and proof of age.

Salient modern slavery risks relate to the supply chains of Mercedes-Benz Group, the manufacturer of the vehicles and parts that we sell to our customers. Below is a snapshot of the nine risk areas identified by Mercedes-Benz Group used to evaluate the 24 critical raw materials in their vehicles³:

² https://lshau.zendesk.com/hc/en-us/article_attachments/4889667411983/LSH_Auto_Whistleblower_Policy_-_AUA.2020.0508_V4.pdf

³ <https://group.mercedes-benz.com/sustainability/human-rights/supply-chain/risk-raw-materials.html>



Risk Areas	Definition
Working Conditions incl. Occupational Health and Safety	Working conditions with (potential) negative effects on the physical and mental health of workers.
Child Labour	Illegal or exploitative employment of children (potentially) depriving children of their childhood and education.
Modern Slavery incl. Forced Labour	(Potential) exploitation of workers who cannot refuse or leave due to violence or threats.
Community and Indigenous Rights	(Potentially) adverse impacts on the rights and livelihoods of affected local and indigenous communities.
Excessive Violence by Public and Private Security Forces	(Potential) human rights abuses committed by private and public security forces to which a company can become complicit.
Environmental Risks with Impact on Human Rights	Adverse impacts on the environment, which (potentially) affect the enjoyment of human rights.
Business Conduct in Conflict and High Risk Areas	(Potentially) adverse impacts of a company's operation, contributing to conflict, which result from a company's own activities or its relationships with third parties including suppliers.
Serious Human Rights Abuses	The most serious violations of human rights to which a company can (potentially) become complicit.
Supplier DDMS	Inadequate due diligence processes in companies along the supply chain.

Apart from the supply chain of the OEM, there are potential modern slavery, including forced labour and debt bondage risks in the supply chains of our direct suppliers providing the following categories of goods or services based on the inherent risks linked to their sector:

- Manufacturing
- Retail Trade (Fuel Retailing)
- Corporate merchandise and office supplies
- Food and beverage
- IT hardware
- Repair and Maintenance
- Outsourced services such as cleaning and detailing

6. Assessing the effectiveness of our actions

Notwithstanding the saliency of the modern slavery risks in the supply chain of the OEM as our sole supplier of vehicles and parts, we recognise the role we play as a business in mitigating the modern slavery risks within our sphere of influence. We remain committed to maturing our understanding of our human rights impacts and using our leverage to make a difference. Over the past few years, we have sought to assess the effectiveness of our actions by reference to goals that we set for ourselves for the following reporting period and reporting on the progress against those goals.



Accordingly, we continued to provide modern slavery awareness training to our employees and used a risk-based approach to modern slavery due diligence in an effort to better understand the risks in the first tier of our supply chain. To date, our approach to assessing effectiveness has enabled us to build the foundations of our Modern Slavery Plan. However, during the next reporting period, we intend to review and refresh our existing approach with the support of external subject matter experts to map out a path to increased maturity and to embed modern slavery considerations as part of our “business as usual”.

7. Consultation and Approval

As noted in Part 4 of this statement, the stakeholders with management of the Modern Slavery Plan continue to have oversight and hold responsibilities across all three reporting entities. Accordingly, the reporting entities were consulted in preparation of this Modern Slavery Statement.

Our 2022 Modern Slavery Statement was approved by the Directors and Executive Committee of LSH Auto Australia, the principal governing body of the reporting entities, and signed by John Good in his capacity as a responsible member of the principal governing body on 5th June 2023.

John Good
Managing Director
LSH Auto Australia