

Monday, August 5, 2024 at 18:14:03 Pacific Daylight Time

Subject: RE: Inquiry on Nickel Supply Chain, Due Diligence, Human Rights

Date: Tuesday, May 28, 2024 at 3:31:40 AM Pacific Daylight Time



To: Brad Adams

CC: Krista Shennum

Dear Mr. Adams,

We are answering on behalf of Ms. Jungo Brüngger who thanks you very much for informing us about your report “Nickel Unearthed: The Human and Climate Costs of Indonesia’s Nickel Industry” and preparing it’s key findings for us. She thanks you for reaching out to us and considering our response.

Our relevant specialist departments collaboratively reviewed the report and the resulting questions. We prepared the following statement regarding supply chain mapping and corporate due diligence in accordance to your questions. You will find the statement at the end of this email.

Please let us know if you have any further questions, we are happy to assist.

Sincerely,

Your Sustainability Team at Mercedes-Benz Group AG

Please note our statement as following:

In general, Mercedes-Benz seeks to ensure that its products contain only materials that have been mined and produced without violating human rights and environmental standards.

The Respect for and protection of human rights are of fundamental importance to Mercedes-Benz. We are aware that there is the potential risk of human rights violations in certain supply chains and are actively taking action against it.

With our Human Rights Respect System (HRRS), we have developed a systematic approach for the prevention of human rights violations in our supply chains.

Our supply chains are very complex. With over several tens of thousands direct suppliers and many more sub-suppliers, you must proceed strategically and risk-based. This is precisely what our Human Rights Respect System is aimed at. It allows us to identify and avoid risks and possible negative effects of our business activities on the respect for human rights at an early stage. To this end, we are in close contact with our suppliers and regularly carry out risk-based audits on site, if necessary up to the mine.

Nickel is one of the 24 raw materials that Mercedes-Benz has classified as critical, for which we carry out a risk-orientated raw material assessment based on the logic and methodology of the UN Guiding Principles for Business and Human Rights (UNGPs). The aim is to proactively identify and mitigate risks in our raw material supply chains. Specific information on the methodology aligned with the UNGP can be found on our [website](#). Our supply chains are very complex and can involve many stages up to the mine. At each stage, there can be over 20 sub-suppliers. Our goal is to make supply chains more transparent. This allows us to better identify human rights and environmental risks and to counteract them in cooperation with our suppliers.

Nickel has been evaluated as part of these raw material assessments. The results of these assessments

were published in our [Mercedes-Benz Raw Materials Report](#).

The assessment essentially consists of three steps:

1. Increasing transparency along raw material supply chains – especially with regard to certain key components such as battery cells. To this end, Mercedes-Benz AG, for example, contacts the suppliers of the relevant components and asks them to disclose their deeper supply chain.
2. Identification of risk hotspots in these supply chains, e. g. based on the specific risks in the individual mining countries.
3. Define and implement measures for the risk hotspots and review their long-term effectiveness.

Based on our raw material assessment, we address environmental and human rights risks in our supply chain and follow them up. This includes regular dialogues with our suppliers and on-site assessment. Our clear goal is to make supply chains more transparent. This enables us to better identify human rights and environmental risks and counteract them in cooperation with our suppliers.

Moreover, Mercedes-Benz requires its direct suppliers to comply with our Responsible Sourcing Standards (RSS), to integrate them into their upstream value chains and to monitor compliance with them. The RSS are derived from the requirements for human rights, environmental protection and business ethics, which Mercedes-Benz Group AG applies in its own business activities. With a supply contract with Mercedes-Benz, suppliers agree to create transparency in their supply chains in order to identify risk hotspots and potential human rights risks and to counteract them by taking appropriate action in accordance with the OECD guiding principles. This is a major challenge that cannot be addressed at the touch of a button due to the supply chain's complexity.

Compliance with our sustainability standards is systematically monitored. That includes the screening of our suppliers, risk-based due diligence analyses, and sustainability training courses for suppliers. Through these measures we support compliance with social standards and environmental requirements and achieve greater transparency in the supply chain.

In principle, we appreciate the initiative of external organizations to increase transparency in raw material supply chains. That's why we work with the auditing and advisory firm RCS Global.

In 2022, Mercedes-Benz decided to continue the audit activities in cooperation with RCS Global due to the increasing due diligence requirements and increased transparency in the battery cell supply chains, and to extend the scope beyond cobalt to the raw materials lithium, nickel, copper, graphite and manganese. In addition, the audit scope of human rights due diligence was expanded to include environmental aspects. Auditing Mines is another important tool for carrying out due diligence in raw material supply chains and to address environmental and human rights risks that depend on the management of the mine on site. Therefore, only battery raw materials which were extracted from mines audited will be used for our battery cells in the future. Mercedes-Benz requires raw material sources that are audited according to the recognised mining standard of the Initiative for Responsible Mining Assurance (IRMA).

We currently don't source Nickel directly. However, we map our Nickel supply chains in great detail in an ongoing process, as they are dynamic and very complex with many tier stages.

Please understand that our detailed supply chain mapping is confidential business information exchanged with our suppliers for the purpose of human rights due diligence, not for publication.

According to the United States Geological Survey the main sourcing countries for nickel are Indonesia, Philippines and Russia. For more information, please have a look at our [Raw Materials Report](#) which we update frequently.

In general, there are different models for the procurement of raw materials. At the moment, we do not source many raw materials directly, but we regularly review all options. This includes exploring new ways

to advance opportunities to securing sustainable sources of raw materials. Mercedes-Benz is diversifying the sourcing of our raw materials and is constantly screening the market. In this context, environmental aspects are of particular importance for us. By building long-term and sustainable partnerships with raw material providers, we believe to have a strong lever to address our sustainability standards directly in the deeper supply chain.

Von: Brad Adams [REDACTED]
Gesendet: Freitag, 12. April 2024 22:23
An: Mbox-Sustainability (096-NPM) [REDACTED]
Cc: Krista Shennum [REDACTED]
Betreff: Inquiry on Nickel Supply Chain, Due Diligence, Human Rights

[**EXTERNAL E-MAIL**]

April 12, 2024

Ms. Renata Jungo Brünger
Member of the Board of Management of Mercedes-Benz Group AG. Integrity, Governance & Sustainability, Mercedes-Benz Group
[REDACTED]

Dear Ms. Jungo Brünger,

I am writing on behalf of Climate Rights International, a U.S.-based NGO that conducts research and advocacy on the human rights dimensions of the climate crisis. We recently published a 124-page report, “Nickel Unearthed: The Human and Climate Costs of Indonesia’s Nickel Industry,” that documents the human and environmental impacts associated with nickel mining and smelting at and near the Indonesia Weda Bay Industrial Park (IWIP), a large nickel processing complex in North Maluku.

As you are likely aware, Indonesia is the world’s largest producer of nickel, providing roughly 55 percent of global nickel supplies in 2023. As a major producer of electric vehicles, many of which use nickel as a key battery component, I am writing to share our report findings with you and ask questions about your mineral sourcing and due diligence policies and practices.

Key Findings

Based on more than forty interviews with community members, our report finds that nickel mining in Central and East Halmahera, North Maluku and nickel processing at IWIP are

threatening the rights of local people, harming the local environment, and contributing to the climate crisis. Community members told Climate Rights International that their lands have been taken by nickel companies, they were not able to fairly negotiate land sales, and some were intimidated into selling their lands by members of the police or military who acted on behalf of companies. Indigenous Peoples have been denied their right to Free, Prior, and Informed Consent (FPIC). In addition, pollution from industrial activities is threatening critical freshwater resources and the ecosystems that people depend on for drinking water and traditional livelihoods.

Despite claims that nickel from this project is needed to power the electric vehicle transition, massive deforestation and captive coal use at IWIP are directly contributing to the climate crisis, making this project a carbon bomb. Once fully operational, IWIP will be home to twelve new captive coal plants, totaling 3.78 gigawatts of coal capacity, which is more coal than used by Spain or Brazil in a year.

The report is attached to this email and can also be found on our website: <https://cri.org/reports/nickel-unearthed>. Our report has also been featured in international media outlets, including the New York Times, Wall Street Journal, South China Morning Post, Al Jazeera, and Reuters.

Questions

We hope that you or your representatives will respond to the following questions, outlined below. Any responses may be reflected in our future reporting on the critical mineral supply chains and due diligence practices of electric vehicle companies, as appropriate. We may publish your responses at our discretion and when appropriate, either in full or in part.

Regarding supply chain mapping:

1. Has Mercedes-Benz mapped out its critical mineral supply chain back to the mine level? If so, please provide information, including names and locations, of all mines along Mercedes-Benz's battery supply chain.
2. Has Mercedes-Benz mapped out all of the critical mineral smelters/refineries in its supply chain? If so, please provide information, including names and locations, of all

mines along Mercedes-Benz's battery supply chain.

3. Does Mercedes-Benz source nickel from Indonesia, either directly from nickel mining and processing companies or indirectly through its suppliers? If so, please provide information about the sources of Mercedes-Benz's Indonesian nickel.

4. Please provide a list of countries from which Mercedes-Benz sources each of the following minerals: nickel, lithium, cobalt, manganese, and graphite.

5. Has Mercedes-Benz made any agreements to directly source nickel or other critical minerals directly from mining companies or mineral processing companies? If so, please provide information about those agreements.

6. Please provide information, including names and locations, of all electric vehicle battery manufacturers that Mercedes-Benz sources from, including the names and locations of battery manufacturing facilities.

Regarding corporate due diligence:

3. How does Mercedes-Benz ensure that the mining and smelting of critical minerals, including nickel, used in its electric vehicles does not contribute to human rights and environmental abuses? What due diligence measures is Mercedes-Benz taking to monitor and/or prevent abuses?

4. What steps does Mercedes-Benz take to investigate and act on allegations of environmental and/or human rights abuse in its supply chain?

5. Has Mercedes-Benz undertaken any steps, including but not limited to audits, to investigate the environmental and human rights impact of the critical minerals it sources? If yes, please describe those steps and the results of the investigations.

6. Does Mercedes-Benz have a grievance mechanism that can be used by

communities impacted by critical mineral mining and smelting to report human rights and/or environmental abuses? If yes, how often is the mechanism used? How does Mercedes-Benz make impacted communities aware of the mechanism and ensure that it is accessible and available to those communities?

7. Our investigation found that open pit nickel mining in Indonesia, including in Central and East Halmahera, has led to high levels of deforestation. Does Mercedes-Benz account for greenhouse gas emissions from deforestation for mining in its Scope 3 emissions calculations? If not, why not?

8. Has Mercedes-Benz made any commitments to reduce or eliminate fossil fuels in its supply chain? If yes, please provide us with any relevant documentation. Does Mercedes-Benz have any other climate goals or commitments? If so, please provide documentation of those commitments.

9. Has Mercedes-Benz made any commitments on human rights, including on Indigenous Peoples' right to exercise free, prior, and informed consent? Does Mercedes-Benz have any requirements on human rights for its suppliers? If yes, please provide documentation of those commitments.

Please provide your responses in writing to [REDACTED]. In addition, please include any other materials, statistics, and/or information you think may be relevant.

I also welcome the opportunity to speak with you or your representatives. Please let me know if you have any questions or if you would like to arrange a meeting or video conference.

Sincerely,

Brad Adams

Executive Director, Climate Rights International

[REDACTED]

If you are not the addressee, please inform us immediately that you have received this e-mail by mistake, and delete it. We thank you for your support.