Mercedes-Benz
Special Terms
2020
Sustainability and Environmental Protection

The following provisions regarding sustainability define the standards and criteria that Daimler’s Partners must meet: adherence to internationally recognized human and employee rights, the prohibition of child labor and forced labor, observing and promoting ethical business conduct and adherence to legal standards and environmental rules, as well as preventive environmental protection as well as adherence to animal protection regulations. The sustainability rules are based on the Daimler “Supplier Sustainability Standards” and on our “Corporate Social Responsibility Principles” applicable throughout the company. Moreover, they are based on the internationally accepted principles of the United Nations Global Compact (http://www.unglobalcompact.org) and the established minimum standards of the International Labor Organization of the UN (http://www.iolo.org).

The Partner hereby enters into obligation to comply with the following standards:

1. Working Conditions/Labor Standards

1. Wages and Benefits, Working Hours

Compensation and benefits are to be remunerated in accordance with the fundamental principles relating to minimum wages, overtime hours and statutory benefits. Working hours shall comply with all applicable laws, or – as far as those ensure a higher level of protection –, with the industry standards, but at least shall comply with the relevant ILO conventions. Overtime should be voluntary and employees must be granted at least one day off following six (6) consecutive working days.

2. Child Labor Prevention

For its enterprise, the Partner warrants that no exploitative child labor within the meaning of ILO Convention no. 182 is or was involved in producing or processing the products to be delivered, as well as that these products do not violate any obligations resulting from the implementation of this Convention or of any other applicable, domestic or international regulations on combating exploitative child labor. Moreover, the Partner warrants that its enterprise, its suppliers and their sub-suppliers have proactively taken targeted measures conducive to ensuring that exploitative child labor in the sense of ILO Convention no. 182 is ruled out where the production or processing of their products is concerned. The Partner will place its sub-suppliers and their sub-suppliers under a corresponding obligation and will perform controls and checks in this regard. Daimler will review the content of this undertaking and the Partner will submit proof of the measures taken upon request from Daimler. If there are suspicious facts regarding any non-compliance of these standards in the supply chain, if any, the Partner is obligated to keep track of these and to inform Daimler about it.

3. Freely Chosen Employment

The Partner will not employ anyone against their will or force them to work. Employees must be free to leave employment with reasonable notice. Employees must not be required to hand over government-issued identification, passports or work permits as a condition of employment. The Partner is particularly obligated to observe the requirements of the ILO Convention no. 29. The Partner shall place its suppliers and their sub-suppliers under a corresponding obligation and shall carry out control measures in this regard.
4. **Freedom of Association, Right to collective bargaining**

Workers must be able to communicate openly with management regarding working conditions without fear of reprisals of any type. Workers shall have the right, but not the duty, to associate freely, join labor unions, seek representation and join works’ councils. The ILO Convention no. 87 and 98 are relevant in this regard.

5. **Non-Discrimination**

Harassment or discrimination against employees in any form is not allowed. In particular discrimination based on gender, race, caste, color, disability, union membership, political beliefs, origin, religion, age, pregnancy or sexual orientation is not allowed. The Partner is obligated to at least take measures to avoid discriminations within the meaning of the ILO Conventions no. 111 and 100.

6. **Health and Safety**

In its role as employer, the Partner ensures occupational health and safety in keeping with domestic standards and will promote continuous improvement of the workplace environment.

II. **Business Ethics Standards**

1. **Anti-Corruption and Compliance**

Within the framework of its commercial dealings with Daimler, 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, Daimler 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 Daimler.

2. **Safety & Quality**

All products and services will be delivered to meet the contractually specified quality and safety criteria, and will be safe to use for their intended purpose.

3. **Technical compliance**

The Partner has to comply with all technical regulations, which according to the contractual agreements with the Partner, apply to the Partner’s products (e.g. applicable regulations, policies, laws and technical standards), taking into account the fundamental spirit of the respective regulation.

Further, the Partner has to establish adequate structures within his organization to ensure the adherence to all these technical regulations within the product creation phase. Such a system should provide orientation and guidance for the Partners’ employees and consider appropriate ethical, integrity and technical compliance standards.

The Partner shall comply with and implement the requirements of the VDA Volume Produktintegrität (Product Integrity). However, it is left to the Partner to decide, if the Partner implements a Product Safety and Conformity Representative (PSCR) or not.
III. Duty to take due care in the context of human rights

1. Implementation of precautionary measures in the context of human rights

The Partner is obligated to establish processes for his duty to take due care of the human rights in his company, provided Partner delivers products or provides services, where potential negative effects on human rights are to be feared in the value-added chain (e.g. risk management system), and to take systematic and adequate precautionary measures in the context of human rights based on this process. Relevant in this regard are 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 Guiding principles & Concepts. 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 of the product or service as well as according to the origin of the product or service and the raw materials contained in it, and particularly according to the associated risks.

The Partner must inform Daimler unsolicited, about the identified risks and/or mitigating measures and must additionally transfer a documentation of its precautionary measures to Daimler upon request.

Daimler is entitled to inspect and audit the processes established by the Partner for his duty to take due care of the human rights, the processes to create transparency as well as the precautionary measures taken by the Partner in the context of human rights or to have them inspected or audited by a third party commissioned by Daimler. Daimler may use the information and knowledge from these inspections, audits and measures to fulfill statutory obligations, as they exist, for example, in the context of reporting obligations.

2. Creating transparency

As a prerequisite for the implementation of precautionary measures in the context of human rights, specified in section III.1 above, the Partner establishes transparency in its supply chain using internal processes in order to identify risks related to human rights and to be able to initiate corresponding counter measures and control measures if necessary. The Partner must follow the specifications of the respective relevant OECD Guiding principles & Concepts.

As part of supplying the products or providing the services, the Partner must in case of a risk-based necessity facilitate the inspection and auditing of its suppliers and their sub-suppliers by Daimler or by a third party commissioned by Daimler.

The Partner must identify “nodes” critical for human rights (such as mines, smelting plants and refineries). The Partner must inform Daimler upon request about such “nodes” critical for human rights (company and production location of the “node”). Daimler is obligated to the UN Guiding Principles for Business and Human Rights and strives to publish such “nodes” of the Daimler supply chain critical for human rights; the Partner consents to support this objective.
IV. General Environmental Standards and Environmental Sustainability

1. General Environmental Responsibility, Environmental Performance of Production Activities and of Products

Daimler is committed to a system of integrated environmental protection, which addresses causes at the root, assesses the environmental impact of production processes and products in advance and integrates these into corporate decisions. In this context, production processes and products are designed using holistic principles to make them environmentally compatible and to use resources as sparingly as possible.

The MBN 10183 Verwertungsgerechte Fahrzeugentwicklung (Design for Automobile Recovery) must be taken into account.

With regard to environmental protection, the Partner will act in accordance with precautionary principles, will take the initiative to ensure the promotion of greater environmental responsibility and will sponsor the development and dissemination of environmentally friendly technologies. In all stages of manufacturing, the Partner will ensure a high degree of environmental protection. This includes proactively preventing or minimizing the impact of accidents which may adversely affect the environment. Particular emphasis is given to the application and continuing development of resource-conserving technologies that are characterized by strategies which ensure the reduction of emissions, the saving of water and energy, the use of recycled materials and renewable raw materials as well as reuse and recycling.

All products manufactured within the supply chain must meet the environmental standards applicable to their respective market segment. This includes all materials and substances used in production. Chemicals and other materials posing a hazard if released into the environment are to be identified. A hazardous material management system is to be instituted by Partner for them, which ensures appropriate processes for their safe handling, movement, storage, recycling or reuse and disposal.

With regard to vehicles of the business areas Mercedes-Benz Cars and Mercedes-Benz Vans plastic-components made of thermoplastic are intended for the use of recycled plastic materials and/or renewable raw materials (resource-conserving materials). The Partner is obligated to promote the use of resource-conserving materials and to submit an offer accordingly. The portion of recycled material in the polymer (without fillers and additives) must not be below 10%. The portion of recycled material in the polymer (without fillers and additives) may be up to 100%, provided the technical requirements for the component are met. Recycled material is a material that has been prepared from recovered [used] material with the help of a production process and processed into an end product or a part of an end product. Definition in accordance with DIN EN ISO 14021 environmental labeling and declaration – Self-declared environmental claims.

With regard to the delivery of plastic components, Partner is obligated to document the use of the recycled material in IMDS. The exact portion of recycled material [% masses] must be specified in the tab “Recycled material”. Further information can be found in the IMDS FAQ – Daimler IMDS supplier information: www.mdsystem.com

Suppliers of production materials are obliged to implement a certified environmental management system according to ISO 14001, EMAS or comparable standards no later than two years after conclusion of the purchasing contract. This above mentioned certified environmental system has to be operated during the entire term of the business relationship with Daimler. Partner is obliged to provide a corresponding certificate. Verification shall be supplied in the form of certification via an accredited certification body. In due time before the expiry of the duration of validity, a new certificate has to be provided to Daimler.

Also suppliers of non-production material have to fulfill the above mentioned obligations regarding an environmental management system at the request of Daimler.
2. **Preparation of recycling and disposal concepts for delivered products.**

In connection with the EU Directive on End-Of-Life Vehicles, the Partner is obligated to ensure the following:

- Creation and transfer of a component-related concept for drainage and pollutant removal.
- Compliance with labeling standards for materials and components according to VDA 260 and MB Standard 33035.
- Provision of a recycling concept for selected, supplied parts in coordination with Daimler.

3. **Confirmation of/Adherence to Substance Bans**

Substances that are subject to legal restrictions or bans may only be contained in the delivered materials or parts or in the articles contained therein in accordance with these regulations (e.g. chemicals ban directive, German “End-Of-Life Vehicles Ordinance” (Altfahrzeug-Verordnung), REACH Regulation (EC) no. 1907/2006). Daimler requires its Partners to be aware of the obligations from these regulations and to comply with them. The Partner must therefore ensure the following:

- The provision of correct and complete IMDS (International Material Data System) material data sheets (since 2003) is to be ensured free of charge for every new part and for the adjusted parts as well as for all substructure parts and/or contained operating materials characterized as spare parts in the spare parts area, and has to be implemented, in the course of initial sample inspections of new or modified products, at the latest two (2) months following a blank release (QG D). Any flawed material data sheets (MDS) will not be accepted and must be corrected at the latest three (3) months following blank release. For more information on the basic release principles, see IMDS FAQ – Daimler IMDS supplier information on reviewing material data sheets: www.mdsystem.com. A retroactive requirement may be issued for material data sheets not submitted thus far. Although as a general rule no sample inspection is performed for carry-over parts, standard parts and parts serving small parts optimization as used in a new model series, material data sheets will have to be submitted also regarding these parts or regarding the articles contained therein, should this be subsequently required.

- Registration/Non-approval and notification of substances: The Partner must ensure that substances, substances in preparations and substances in products requiring registration are only delivered to Daimler if they are registered in accordance with Article 5 and Article 6 or Article 7 (1) of Regulation 1907/2006/EC for use by Daimler. The Partner similarly ensures that for substances in products delivered that are subject to duty of notification in accordance with Article 7 (2), notification is performed by Partner or – if the product is not manufactured by Partner or was imported – by a supplier or sub-supplier, or alternatively the substance is registered for its intended use (Article 7 (6)).

  If substances subject to registration are not registered or substances stated in Annex XIV of the Regulation 1907/2006/EC are not permitted at the time of delivery for their contractually intended uses or the necessary notification in accordance with Article 7 (2) has not been issued, the Partner is required to contact its REACH Partner at Daimler without delay: reach-kontakt@daimler.com.

- **Regulation for substances that are listed in Annex XIV of REACH-Regulation**

  In case of developing a new component, substances listed in Annex XIV of the regulation 1907/2006/EG (REACH) must be waived in general.

  If the use of such substances is unavoidable, these substances only may be used after prior approval by the responsible person for the components (Bauteilverantwortlicher, BTV) (where applicable in coordination with the special material department at Daimler) either in written or in text form. The Partner must provide evidence to the BTV that the Partner or one of its suppliers or their sub-suppliers has submitted an application for approval for the required usage no later than upon reaching the “latest application date” (18 months before “sunset date”). Otherwise the Partner has to take further measures to ensure compliance with the requirements of the REACH-regulation.
If there are alternatives under technical and economic constraints, substances included on the candidates list must also be waived preventively in case of developing a new component. If there is no alternative, it has to be aligned with Daimler.

The current overviews of the substances included on the candidates list and of the Annex XIV can be accessed on ECHA’s homepage:
» http://echa.europa.eu/web/guest/candidate-list-table and

If a component contains a substance listed in Annex XIV of the Regulation 1907/2006/EG, the Partner has to inform the BTV/contact person of the supplier management immediately, so that measures for substitution or, if necessary, for other activities regarding the compliance with the REACH regulations (e.g. approval for the relevant substances) can be initiated. Suppliers of spare parts shall refer to the contact person of the after sales department on this matter.

» Substances of Very High Concern (SVHC) in components, spare parts, miscellaneous items, accessories and packaging: If parts delivered or the articles contained therein contain a portion of substances of very high concern (SVHC) specified on the candidate list in accordance with Article 59 (1) of Regulation 1907/2006/EC amounting to more than 0.1% of their weight, the Partner is required to automatically provide all information in accordance with Article 33 (1) of Regulation 1907/2006/EC on delivery. This also applies if such substance is only added to the candidate list during an ongoing supply relationship. The information must be provided in written form, preferably by IMDS.

» Confirmation and observance of the substance bans according to the EU End-of-life-vehicle Directive (e.g. free of chrome (VI)) in accordance with the agreed changeover scenarios.

» Compliance with the Negative Substance List for the Selection of Materials according to DBL 8585.

» Recommendations for a further reduction of interior emissions.

» Allergenic and sensitizing substances (H317 und H334) must be avoided.

» Minimization of interior emissions, especially compliance with the listed limits of DBL 5430.

4. **Life Cycle Assessment for Continuous Improvement of Products and Production**

Daimler carries out environmental audits on the basis of ISO 14040 et seq. in order to determine and improve its overall environmental profile.

On request, the Partner shall therefore provide Daimler with information on the relevant products, materials and processes. Daimler assures the Partner that this information is kept strictly confidential and will only be used for the purpose of holistic Life Cycle Assessment.

The Partner will strive towards getting such information from its suppliers and their sub-suppliers also (manufacturers of raw materials and semi-finished products, energy providers, residue recyclers, etc.) as far as possible. Confidentiality will be treated as indicated above.

In order to guarantee a standardized, methodically validated flow of information, Daimler offers an introduction to the technique of holistic Life Cycle Assessment in order to carry out joint analyses as required.

The data must be provided in the specified documentation format (VDA data collection format for life cycle assessments). The period of time and data quality must be agreed between Daimler and the Partner.

The “Environmentally Friendly Product Development” (QM/RZU) department is available to answer any questions and to address any problems.
5. **Transparency, environmental objectives and action plans**

Partners, who supply the business areas Mercedes-Benz Cars and/or Mercedes-Benz Vans with production material, have to record the key figures given below with regard to these deliveries for each calendar year. The Partner must store the key figures at least for a period of 10 years after the expiry of the respective calendar year. The Partner must report these key figures to Daimler on request by Daimler. The provision of the data serves to assess the environmental performance of the Partner. The key figures are as follows:

- Overall energy expenditure in MWh;
- Composition of the used energy source in portions;
- CO2-eq. Emissions from scope 1, 2, according to GHG event log in t;
- Portion of primary and secondary materials in %;
- Overall water consumption in m³;
- Process waste water in m³;
- Waste for disposal in t;
- Waste for recycling in t;
- VOC emissions (volatile organic compound) in t.

V. **Animal protection**

The Partner is obligated to comply with the applicable laws and regulations for animal protection as a part of its business relationship with Daimler.

VI. **Forwarding of Standards I-V in the Supply Chain**

The Partner will forward the content of these sustainability standards (see section I-V) to its suppliers, placing them under the corresponding obligations, and will monitor and check compliance with sustainability standards in the supply chain.
Annex 1
Mercedes-Benz Special Terms
2020
Annex 1 to MBST 2020

General

The following provisions shall apply to purchase agreements, delivery call-offs, purchase orders and contracts for development work from November 1st, 2020 on as an amendment to Daimler AG’s existing MBST (version 2020).

If a reference is made to individual MBSTs, the provisions therein shall supplement the respective MBSTs (version 2020) of Daimler AG, unless a contrary provision has been explicitly agreed upon which replaces the corresponding provision of the respective MBST (version 2020).

Unless reference is made below to individual MBSTs (version 2020) of Daimler AG, the relevant MBSTs (version 2020) of Daimler AG shall continue to apply without restriction.

Stuttgart, November 1st, 2020
The provision of the MBST 36/12 Part II. Section 3 “Technical Compliance”:

“The Partner has to comply with all technical regulations, which according to the contractual agreements with the Partner, apply to the Partner’s products (e.g. applicable regulations, policies, laws and technical standards), taking into account the fundamental spirit of the respective regulation. Further, the Partner has to establish adequate structures within his organization to ensure the adherence to all these technical regulations within the product creation phase. Such a system should provide orientation and guidance for the Partners’ employees and consider appropriate ethical, integrity and technical compliance standards.

The Partner shall comply with and implement the requirements of the VDA Volume Produktintegrität (Product Integrity). However, it is left to the Partner to decide, if the Partner implements a Product Safety and Conformity Representative (PSCR) or not.”

is amended by the addition of the following paragraph:

“If the Partner gains knowledge of facts that substantiate suspicions of a violation of legal requirements or regulations regarding certification, emission and product safety with implications for Daimler, the Partner must immediately notify Daimler in text form, according to the tCMS escalation model, and, if the Partner may be responsible for such a violation, immediately investigate the facts. The Partner shall undertake reasonable best efforts to include comparable requirements in its contracts with Sub-contractors and/or Sub-suppliers for certification, emission or product safety-related parts, whereby the corresponding notifications of suspicion must be made by Sub-contractors and/or Sub-suppliers to the Partner.”