

Statement from Daimler 29/08/16

Despite having been able to confirm that none of the companies which were named by Amnesty International are direct suppliers of our company, we nevertheless take the issues raised by the Amnesty International report very seriously in general.

Daimler's inquiries into the subject brought about the findings that neither Ningbo Shanshan Co. Ltd., nor any of the other companies which were named by Amnesty International are direct suppliers of our company. Beyond this, we initialized a follow up process with our direct suppliers in order to further investigate the issues raised by Amnesty International and to check the processes and measures taken by our suppliers to prevent such alleged practices in their upstream supply chains. Although, as you will understand, we are not able to provide specific details concerning individual suppliers, we believe that the information we gained by this process can indeed inform our discussions with you here in Stuttgart. Further, we want to restate that we neither source directly from the Democratic Republic of Congo (DRC) nor from suppliers in the DRC.

However, in recognition of the general risks in this area highlighted by your report, Daimler has taken further action and joined an initiative lead by the German Global Compact Network, which proposes to conduct a joint human rights due diligence pilot project across a group of companies within a chosen supply-chain. At Daimler's and other participants' own suggestion, this project will now focus on batteries and electro mobility and aims to assess potential risks associated with these products and, should this be necessary, formulate recommendations for improving relevant due diligence processes.

Finally - and coming back to the reason for our invitation to you - we would like to underline that the inclusion of this topic in this year's Daimler Sustainability Dialogue is not only to discuss the case at hand, but has the specific aim of discussing current processes and further steps towards improving human rights due diligence within the supply-chain. In this context we would not only welcome, but actually specifically hope for concrete input and suggestions on your part on how to assess our current processes, gain critical feedback on potentially improving these and, going forward, beginning a continuous discussion on the issues with the experts in the field.

Statement from BMW 12/08/16

At the BMW Group, long-term thinking and responsible action have long been the foundation of the company's success. Sustainable development is therefore firmly established within the company's strategy and culture. As a member of the UN Global Compact, this also includes our clear commitment to respect and adhering to human rights and labor standards and applying our principles throughout the value chain. This means that we also require our suppliers to meet the same environmental and social

standards according to which we measure ourselves. Therefore, it is set in our purchasing conditions that our contract partners are obliged to be in strict compliance with internationally recognized standards, e.g. ILO core principles, in their own business operations as well as in their whole supply chain. Thus, we are very concerned about human rights abuses in the cobalt supply chain.

Our general approach to prevent and address human rights abuses

The main instrument we use to ensure the implementation of our sustainability standards is our sustainability risk management process. A detailed description can be found in our Sustainability Report 2015. You can download this approved report using the following link: [https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup\\_com/responsibility/downloads/en/2015/BMW\\_SVR\\_2015\\_RZ\\_EN.pdf](https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/responsibility/downloads/en/2015/BMW_SVR_2015_RZ_EN.pdf)

For the identification of special risks we have implemented a risk filter. This filter takes account of both regional and product-specific risks. This includes, for instance, an assessment of social risks in certain countries, such as child labour or forced labour.

In addition, we also have a media-monitoring tool. This tool helps us to identify high-risk supply chains and be able to analyze industries based on publicly available data on ground incidents. This helps us to know which areas are high-risk in terms of human rights abuses and in turn to monitor and analyze our supply chains targeted by these issues.

Since autumn 2014 we use an OEM-wide sustainability questionnaire as a third tool, which is enrolled as a standard within the automotive industry and replaced the BMW Group self-assessment questionnaire. Prior to nominations each supplier must provide detailed information about their implementation of environmental, social and governance standards. This includes compliance with human rights and bans on forced labour at their production locations. We require policies on human rights from our direct suppliers and that they enforce the policies on their own suppliers.

Furthermore, we also ask how these policies are communicated to their suppliers and by which procedures they are implemented. Bigger suppliers are required to publish a sustainability report based on GRI standard in addition.

After the proposal has been submitted, the results of the self-assessment, which are validated by a third party, are included as mandatory indicators in our procurement process. In 2015, a total of around 1,900 nominated, active and potential direct suppliers were assessed via this questionnaire. By establishing sustainability requirements in the tendering process, we not only increase transparency along the supply chain but also raise the awareness of this topic on the part of our suppliers' top

managers. As a result, a number of our direct suppliers have taken decisive measures to better establish sustainability within their companies.

In order to ensure that such a supplier qualifies for nomination in the tendering process, the BMW AG purchaser requires that improvement measures be implemented by start of production at the latest. In 2015, our system logged corrective action plans with target deadlines for around 400 supplier locations. An external service provider checks that the measures have been implemented by the date agreed upon.

More details and results of this risk management step that identifies and even prevents human right abuses can be found in the Report KEY INDICATORS SUPPLIER MANAGEMENT: [https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup\\_com/responsibility/downloads/en/2016/BMW\\_GROUP\\_KeyIndicators\\_Supplier\\_Management.pdf](https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/responsibility/downloads/en/2016/BMW_GROUP_KeyIndicators_Supplier_Management.pdf)

In addition to this standard process, we continue to engage in stakeholder discussions to which we invite NGOs and civil society. We discuss with them the main issues we find within our supply chains and where our engagement can help most.

#### Current status on cobalt activities

As a part of our material strategy, we identified key components to focus on and to deal with highest attention with regards to sustainability. Batteries are part of these components. Therefore we do sustainability workshops on a regular basis with Samsung SDI. Within those workshops we track the progress towards those targets. Here we also discuss all relevant issues on human rights and risk management within the supply chain.

According to our risk filter results, cobalt originating from the DRC was identified as a raw material with high sustainability risks. Therefore, we decided to do a detailed analysis in this supply chain and investigated the origin of the cobalt used in our batteries. Hereby we determined four countries / regions, i.e. DRC, Australia, Canada and Morocco, that the cobalt is sourced from within our supply chain.

The result of our analysis in 2013 showed we have only one n-tier supplier, which is not Huayou, sourcing from DRC. With this supplier we are engaged to generate a process ensuring that all cobalt supplied by him is free from human rights abuses. This process is currently double-checked by an independent third party.

We are aware of this area being high-risk for human rights abuses, and once we learned of a suspected violation that was linked to our company we intensified our investigations in the beginning of 2016. In April 2016, following our analysis, our 1st tier supplier Samsung SDI confirmed that Huayou is definitely not part of our supply chain.

One of the difficulties we already realized from former actions to bring transparency into our supply chains is that supply chains in these commodities are likely to change very fast. We have an average contractual time of seven years with our tier-1 suppliers, whereas some of these suppliers are changing their suppliers on a yearly basis. If a second or third tier supplier changes his suppliers, the whole n-tier supply chain changes. Additionally it takes time until information on changes in the supply chains is provided to us.

Therefore, we are currently developing an electronic supply chain mapping system that helps us to be able to track changes within our supply chain and to get assessment results of our sub suppliers on time.

This is an initiative we have asked other OEMs to join as well. We are expecting the systems to go live at the end of 2016.

Our targets and further activities to minimize sustainability risks in our cobalt supply chain and to identify cobalt smelters are as follows:

In order to improve sustainability within the supply chain for sourcing high-voltage batteries we are currently setting up a comprehensive program targeting four specific areas as given below.

1. Target: Achieving more transparency within the cobalt supply chain.

We are working closely with our direct supplier to identify all our smelters. Furthermore, we are working with other OEMs on an electronic supply chain mapping system to assess our supply chain sustainability risks and to always be updated when changes occur. Should there be any risks we aim to address them along our supply chain.

2. Target: Enhancing our knowledge regarding the situation within DRC.

Taking premature actions and thereby running the risk of worsening this social situation would be irresponsible on our part. Therefore, we firmly believe we are not able to take the right measures until we have a full understanding of the mechanisms of child labor in DRC as well as the right starting points to tackle this issue and improve the social situation. Therefore, we are currently researching this together with other companies.

3. Target: Establishing cooperation within industries.

Currently we are working closely with other OEMs but also involving partners of the electronic industry to set the same standards and requirements along the supply chains

up to our smelters across industries. The more companies set, demand and check on the same standards, the higher the achieved leverage will be. Therefore, we already aligned with different OEMs on that proceed.

#### 4. Target: Evaluation of further possible human rights risks.

We are carrying out a human rights risk assessment on all other components of all battery supply chains based on the UN Guiding Principles with other companies. We already have an MoU with other companies regarding this. We expect the first results to be generated by the end of this year.

#### Our supply chain response team process

If human rights abuses are found to exist at any stage of our supply chains, we have an escalation process in place, which consists of 3 steps starting with the requirement of an official statement of the supplier regarding possible sustainability shortcomings and a discussion on the issues with said supplier. If we find the accusations to be confirmed, we will agree upon corrective actions that need to be taken with the supplier.

We are always seeking to work together with our suppliers to help them raise their sustainability standards. If a supplier is uncooperative or in breach of a fundamental BMW Group sustainability clause, the contract may not be granted, or termination of business relations may follow.

Our Supply Chain Response Team responds to individual noncompliance with our sustainability principles. The team is made up of one representative each from Operational and Strategic Purchasing, Corporate Strategy (a sustainability expert), Corporate Communications and the Works Council.

In similar situations we have started collaborations on development projects (e.g. for renewable resources like KENAF) with NGOs, tier-1 suppliers and subcontractors to improve their sustainability performance and to mitigate or eliminate the human right abuses.

We know from these previous projects that a key success factor for joint activities to improve the situation in the raw material sectors of our supply chains is the involvement of independent actors like NGOs or civil society. Therefore, we very much appreciate the collaboration with these independent actors. Due to the fact that we are not able to observe local changes, this is the best way to measure the efficiency and effectiveness of our activities.

Finally, we would like to reiterate our offer to engage in an open discussion of this challenging topic with you.



Alessandro Baldi  
Chief Audit Officer and Sustainability

September 12, 2016

**Amnesty International**  
International Secretariat  
Peter Benenson House, 1 Easton Street  
London WC1X 0DW, United Kingdom

To: **Ms. Seema Joshi**

**Re: Your letter of August 23, 2016 concerning the cobalt supply chain**

Dear Ms. Joshi,

Thank you for your letter dated August 23, 2016.

Like you, we are concerned with the safety and integrity of the global manufacturing supply chain and welcome direct and open enquiry and dialogue.

All Fiat Chrysler Automobiles N.V. group companies ("**FCA**") participate in a culture of responsibility where FCA holds itself accountable to the highest level of ethics and integrity. FCA's continued growth, innovation and sustainability are the outcomes driven from an ethical and respectful workplace. To such an extent, FCA developed its own Code of Conduct ("**Code**") which has been approved by the Board of Directors of Fiat Chrysler Automobiles N.V. and applies to FCA's worldwide workforce. The Code aims to ensure that all employees act with the highest level of integrity, comply with applicable laws and build a better future for FCA and the communities in which FCA does business. FCA additionally endorses the United Nations (UN) Declaration of



Human Rights, the International Labor Organization (ILO) Conventions and the Organization for Economic Co-Operation and Development (OECD) Guidelines for Multinational Companies.

In this context, FCA uses its best efforts to ensure that the Code is regarded as a best practice of business conduct and is observed by third parties with whom it maintains business relationships such as suppliers, dealers, advisors and agents. FCA considers collaboration with the supply chain an integral part of its success and, therefore, strives to operate as an integrated team with suppliers. The selection of suppliers is based not only on the quality and competitiveness of their products and services, but also their adherence to social, ethical and environmental principles, which is a pre-requisite for being an FCA supplier. In addition to the Code and the international standards endorsed by FCA, the "Sustainability Guidelines for Suppliers" adopted by FCA (the "**Guidelines**") set out expectations for FCA's suppliers and sub-suppliers on a worldwide basis

[http://grouppurchasing.fiat.com/irj/go/km/docs/documents/Public%20Documents/Sustainability/fiat\\_spa/EN/FCA\\_Sustainability%20Guidelines%20for%20Suppliers.pdf](http://grouppurchasing.fiat.com/irj/go/km/docs/documents/Public%20Documents/Sustainability/fiat_spa/EN/FCA_Sustainability%20Guidelines%20for%20Suppliers.pdf).

To support and encourage the application of the Code, in 2015 FCA also implemented the "FCA Ethics Helpline" which allows employees, suppliers, clients and other stakeholders to request guidance about the application of the Code (for example, to verify definitions of terms or restrictions under the Code), and to report any concerns about alleged situations, events, or actions that they believe to be inconsistent with the Code. The "FCA Ethics Helpline" is managed by an independent provider, available 24 hours a day, seven days a week (reference 2015 FCA Sustainability Report, pages 58-59).

#### **Replies to your requests for further information**

Please find below *in italics* the transcription of your questions followed by the corresponding FCA reply.

1. *"We note that Fiat's 2014 Sustainability Report included a commitment to "measure and share social environmental responsibilities together with the entire supplier base to address issues related to climate change, human rights and working conditions". However, Fiat's website does not provide information on how this commitment is being implemented, including what actual steps the company takes to identify and prevent human rights abuses in its supply chains, particularly in relation to child labour (e.g. including specific guarantees that you seek*





*from suppliers, checks, etc.). Instances of human rights risks and/or abuses should be disclosed. Are these publicly available?"*

FCA's commitment referenced in your letter is publicly available and includes details about specific and concrete targets related to human rights and working conditions. This kind of disclosure is part as well of the 2015 Sustainability Report (<http://reports.fcagroup.com/sustainability/2015/>; Supplier Standards – <http://reports.fcagroup.com/sustainability/2015/our-stakeholders/suppliers/supplier-standards#start>; Supplier Assessment Process – <http://reports.fcagroup.com/sustainability/2015/our-stakeholders/suppliers/supplier-assessment-process#start> ;Supplier Labor Practices – <http://reports.fcagroup.com/sustainability/2015/our-stakeholders/suppliers/supplier-labor-practices#start>; Conflict Minerals – <http://reports.fcagroup.com/sustainability/2015/our-stakeholders/suppliers/supply-chain-labor-practices/conflict-minerals#start>; Supplier Audits – <http://reports.fcagroup.com/sustainability/2015/facts-figures/details-supply-chain/supplier-audits#start> ).

Please note that a written commitment from each supplier to comply with the Code and the Guidelines is required in order to be engaged as an FCA supplier. For this reason, and in order to prevent and mitigate potential effects of any non-compliance from suppliers, specific provisions are included in the supplier contracts.

In addition, to identify and promptly address possible abuses, FCA actively monitors its Tier 1 supplier base (approximately 2,350 suppliers worldwide) regarding their governance structure and level of ethics and integrity. The assessment process, managed by FCA Supplier Quality and Supplier Relations departments, is conducted through the following three phases is conducted on an annual basis:

- i) First phase - The supplier is required to provide FCA with the Supplier Sustainability Self-Assessment (SSSA), which covers environmental, labor practice, human rights, compliance, ethics, diversity and health and safety aspects. This standardized tool was developed by the Automotive Industry Action Group (AIAG) with the contribution of a work group that included FCA and other automakers and suppliers and has been adopted by FCA since 2014. It has a two-fold purpose: to communicate expectations to suppliers and to determine the effective level of sustainability compliance within the supply base through self-assessment. Moreover, it represents an effective and efficient tool that reduces the



burden of multiple and similar information requests received by suppliers. FCA suppliers may complete the SSSA online by accessing it via the eSupplier Connect portal.

ii) Second phase - FCA creates a risk map on the basis of the results of the SSSA for the purpose of identifying suppliers that may be at risk. The primary factors taken into account in building up the risk map are:

- supplier's turnover
- country risk associated with the supplier's home country, with particular emphasis on countries with a poor human rights record
- supplier's financial risk
- supplier's SSSA score
- supplier's exposure to commodity risk
- location of supplier's main production activities (where available or known).

The final risk map score, which is based on a weighted average of all the above factors, provides an indicator of a supplier's overall risk level and is used to select which suppliers should be audited.

iii) Third phase - If the supplier is qualified as at-risk according to the risk map score and is selected for audit, on-site supplier audits are conducted. This represents the most intensive phase for confirming supplier compliance with the Code and the Guidelines and may be conducted by either FCA Supplier Quality Engineers or by external auditors. If any critical issues are identified during an audit, the relevant supplier may be placed on "*watch status*" or, in particularly severe cases, the relationship with the supplier may be suspended or terminated (on termination see further details in answer n. 7 below). Where areas for improvement are identified, a supplier corrective action plan is developed, specific responsibilities within the supplier's organization are established and specific activities and related deadlines for their implementation are identified. The status of implementation and effective achievement of targets assigned through the action plan are monitored on a periodic basis (reference 2015 Sustainability Report, pages 120-121).



2. *"Does Fiat take steps to identify its cobalt smelter and refiners? As you are likely aware, Huayou Cobalt is not the only smelter at risk of purchasing cobalt from artisanal mines in the DRC. As a matter of general practice, is a list of cobalt smelters and refiners maintained? Please provide names if possible."*

FCA does not currently have a program specifically focused on the identification of the cobalt smelters and refiners. However, the issues connected with the cobalt supply chain are the focus of a special study underway within the AIAG Corporate Responsibility Steering Committee. FCA recognizes and values the impact of this collaborative approach, both within and across sectors, to addressing issues of importance, such as the work done with Conflict Minerals (as defined below). In addition to the activities conducted under FCA policies and procedures described in answer n. 1 above, FCA promotes socially responsible sourcing by making reasonable efforts to trace the source of Conflict Minerals contained in FCA's products. FCA, in collaboration with the AIAG, has developed strategies addressing Section 1502 of the Dodd-Frank Act, as well as subsequent rules promulgated by the U.S. Securities and Exchange Commission (SEC), regarding Conflict Minerals. In particular, the rule requires companies to determine whether tin, tantalum, tungsten, or gold (the "Conflict Minerals" or otherwise called "3TG") in their supply chain originated from the Democratic Republic of the Congo (DRC) or surrounding countries, and if the sale of those minerals supported the armed conflict in the DRC (reference 2015, FCA Sustainability Report, page 127).

3. *"Has Fiat previously identified Huayou Cobalt or its subsidiary CDM as one of its cobalt smelters? If so, when and on what basis?"*

Huayou Cobalt or its subsidiary CDM have not been identified as part of FCA's supply chain (see answer n. 5 below).

4. *"Assuming Fiat had previously identified Huayou Cobalt or CDM as one of its smelters, what is Fiat's assessment of Huayou Cobalt's supply chain due diligence policies and practices, specifically in relation to children and adults working in hazardous conditions? Is this assessment publicly disclosed?"*

(see answer n. 3 above).

5. *"What contacts has your company had with Samsung SDI regarding serious human rights risks in the cobalt supply chain this issue and have you had contact with Huayou Cobalt?"*



After receiving your letter, FCA has made enquiries of Samsung SDI regarding the risks of human rights violations in its cobalt supply chain. Samsung SDI has expressly confirmed that the batteries supplied to FCA do not contain any cobalt coming from Huayou Cobalt or its subsidiary CDM. Further, Samsung SDI has described to FCA its enduring efforts and activity to strictly monitor its cobalt supply chain, in particular as regards child labor.

Therefore FCA had no contact with Huayou Cobalt.

6. *"What other steps, if any, has Fiat taken to confirm whether or not Congolese cobalt is used in the company products?"*

Please refer to the answer n. 2 above.

7. *"If human rights abuses are found to exist at any stage of the supply chain, what steps will you take to provide remedy for the adult and child miners in the DRC who have been mining cobalt that is used in your products?"*

According to the process described in answer n. 1 above, possible cases of non-compliance by suppliers and human rights abuses are brought to a Sustainability Committee established within the FCA Purchasing organization. The Sustainability Committee's role is to review supplier performance and to identify the appropriate actions for non-compliant suppliers in order to prevent and mitigate actual and potential adverse effects caused by such non-compliance. The members of the Sustainability Committee are FCA Purchasing's Processes Compliance Manager, Supplier Quality Engineering Head and General Counsel (reference 2015, FCA Sustainability Report, page 118). In addition, in severe cases, FCA may exercise the right to terminate the supplier contract with immediate effect, without prejudice to FCA's rights to claim compensation for any and all damages suffered in connection with such infringement, since violation by the supplier of the Code and/or the Guidelines would qualify as a material breach of the contract.

FCA is vigilant and will continue to be vigilant in its effort to ensure compliance by its suppliers with all supplier guidelines and FCA corporate policies, especially with respect to human rights and child labor.

FCA is investigating the supply chains of other raw materials to identify and act on potential social and environmental risks. This is taking place through industry and cross-sector collaboration.



We recognize that this will be an ongoing endeavor and appreciate Amnesty International's continuing work in bringing this important issue to the global community's attention. Continued dialogue with Amnesty International is welcome and appreciated.

Yours faithfully,

A handwritten signature in black ink is written over a horizontal line. The signature is stylized and appears to be 'P. K. A.' or similar, with a large initial 'P' and a final 'A'.

VW Statement on Amnesty International cobalt study, 21 January 2016

Amnesty International recently published a study reporting on human rights violations, especially child labor, in connection with the extraction of cobalt in the Democratic Republic of Congo (“THIS IS WHAT WE DIE FOR. HUMAN RIGHTS ABUSES IN THE DEMOCRATIC REPUBLIC OF THE CONGO POWER THE GLOBAL TRADE IN COBALT.”) The study follows the use of cobalt in electronic products and batteries via various supply chains. Reference is also made to Volkswagen suppliers in connection with the joint venture with FAW in China.

We are taking the results of the Amnesty study very seriously and are in contact with our suppliers concerning the topic of cobalt. On the basis of the information available to us, we cannot confirm the delivery relationships presented in the study. However, we are taking the information from Amnesty as a reason for reviewing and if necessary revising our policy on conflict minerals.

Volkswagen condemns human rights violations such as forced labor, child labor, the use of violence, and environmental destruction caused by the mining of raw materials. The Group is concerned about reports regarding the Democratic Republic of Congo and neighboring countries, where there is a risk that the extraction of the minerals columbite, tantalite, kassiterite, wolframite and gold, which have been defined as conflict commodities, may contribute to the financing of armed conflict.

An important task for the Volkswagen Group is the integration of environmental and social standards into its Supplier Management Guidelines, with each agent in the value chain acting independently. With the contractual integration of the concept “Sustainability in Supplier Relationships”, the company and its business partners have assumed ecological, economic and social responsibility

If it is suspected that direct suppliers or their subcontractors may not comply with our sustainability requirements, we ask them for a written statement on the basis of a standardized report (a “6D report”). They are given an opportunity to present the matter and any corrective action on the basis of six questions which must be answered. If the answers are not satisfactory, further appropriate action is taken. This may include a review of documents, site visits to suppliers and other individual qualification measures for suppliers.

*Volkswagen along with other companies and trade associations welcomes the proposition of improving transparency in the raw materials sector, which is of great importance to the economic development of producing countries. Fair and*

*non-discriminatory access to raw materials is also required. Economic development partnered with good governance and anti-corruption measures are the key to finding a solution for the situation. Here, and in creating organizational and structural conditions for the implementation of initiatives in the countries of origin, politics plays a decisive role. Volkswagen is also active at various levels:*

*We are currently an active stakeholder in the NamiRo research project for “sustainably extracted mineral commodities” ([www.namiro-projekt.org](http://www.namiro-projekt.org)). Further activities may be taken from the Volkswagen policy on conflict minerals (excerpt):*

*Since 2013, Volkswagen has participated in the Extractive Industries Transparency Initiative (EITI) an initiative supported by governments, non-governmental organizations, investors and well-known companies in order to ensure transparency in the flow of money relating to raw materials and thereby combat corruption.*

*As part of the constant cooperation with the UN Global Compact advisory body on sustainability in supplier relations, the Volkswagen Group has always advocated transparency in the supply chain.*

*Furthermore, Volkswagen participates in intersectoral networks and working groups (e.g. econsense, CSR Europe) on the issue of human rights in global supply chains.*

**You will find further information on ensuring sustainability in supplier relations at <http://sustainabilityreport2014.volkswagenag.com/economy/supplier-management>**