

DAIMLER

Green Finance
Investor Report 2021



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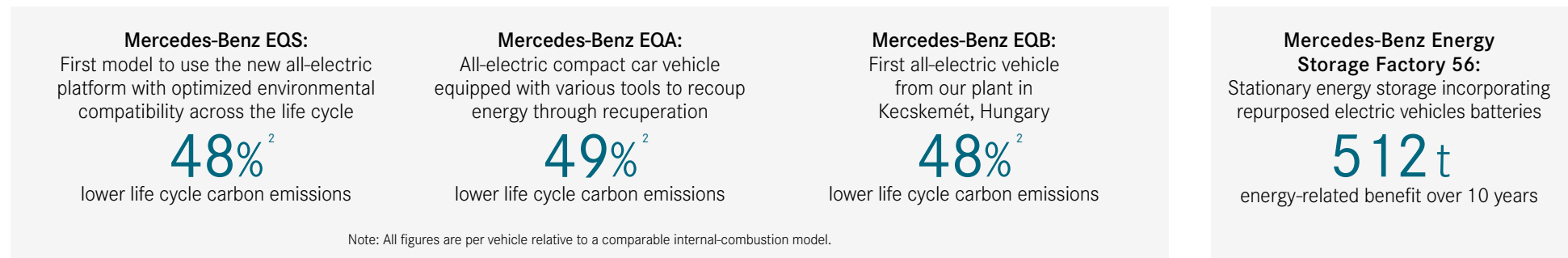
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Executive Summary

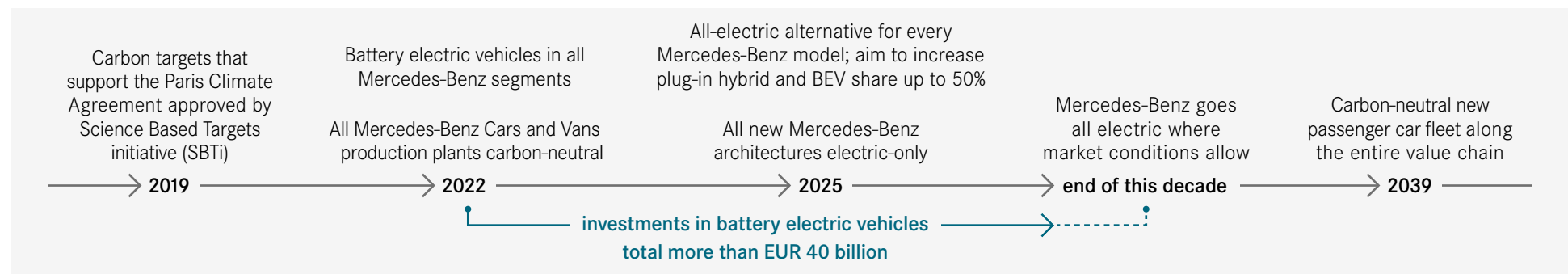
Daimler AG issued its first green bonds under its Green Finance Framework in September 2020 and March 2021, respectively. The bonds generated total net proceeds of nearly EUR 2 billion, which are fully allocated to projects that

directly pave the way to a low-carbon, climate-resilient future. The framework received the highest rating (“Dark Green”) from the Center for International Climate and Environmental Research (CICERO).

CO₂ emissions reductions¹



Mercedes-Benz “Ambition 2039”



¹CO₂-emission values are based on internal life cycle assessment calculations.

²Over 200,000 kilometres.

Foreword

Dear investors,

The ongoing decarbonisation of our industry will play a crucial role in tackling climate change. Carbon neutrality is therefore our top transformation objective. We intend for Mercedes-Benz's entire fleet of new vehicles to be all-electric by the end of this decade where market conditions allow. This will go a long way toward enabling us to meet our climate obligations ten years earlier than required by the Paris Climate Agreement (Ambition 2039). Our goal is to make our entire new vehicle fleet carbon-neutral by 2039 and to ensure that it no longer has any relevant effects on air quality in inner cities. We plan to achieve this goal by using a holistic approach that includes ambitious targets for all stages of automotive value creation – from the supply chain to production, the vehicle use phase, and vehicle disposal and recycling.

Our commitment to all-electric, which is opening a fascinating new chapter in Mercedes-Benz's history, is reflected in our capital allocation. Between 2019 and 2026, we will reduce our investments in combustion-engine and plug-in hybrid vehicles by 80 percent.

Global sales of electric vehicles continue to boom. New electric-vehicle registrations in 2020 surpassed the prior-year figure by 43 percent and accounted for 4.2 percent of total registrations.¹ The strongest growth is in Europe, China and the United States.

The shift to electric mobility is propelled primarily by stricter carbon targets, the ongoing expansion of charging infrastructure, government subsidies and evolving consumer preferences.

The acceleration of our own shift to electric mobility in the years ahead will bring about fundamental change across our company. It will also require consistently high levels of investment.

We published our Green Finance Framework, which articulates our principles for using sustainable financing instruments, in the spring of 2020. Our aim is to tap additional liquidity to fund our transformation, while enabling investors to invest in our sustainable business strategy and, in particular, in our all-electric and decarbonisation projects.

With more and more investors factoring sustainability into their investment decisions, the demand for green investment instruments is strong. Sales of green bonds in the first quarter of 2021 were 50 percent higher than in all of 2020. The Institute of International Finance estimates that global sustainable debt issuance will surpass USD 1 trillion in 2021.²

¹ Global sales of BEV and plug-in hybrid electric vehicles (PHEV) in 2020 | auto-motor-und-sport.de.

² Global sustainable debt issuance will crack \$1 trillion mark in 2021 -IIF | Reuters

We were delighted by the great demand for our first green bonds. We issued the first bond of EUR 1 billion in September 2020 and another of EUR 1 billion in March 2021.

In line with our Green Finance Framework commitments and our transparency journey, this first Green Finance Investor Report explains how we are using the funds from these first two green bonds. In addition to an in-depth presentation of our Green Investment Strategy, this report includes a detailed description of the financed projects (Allocation Report), as well as additional key figures and information on their respective effects on carbon emissions (Impact Report).

I would like to thank you, our investors, for your trust. We hope that you continue to support us on our journey to a carbon-neutral future. Being a sustainable company will enable us to continue to offer you attractive investment opportunities.

Regards, Harald Wilhelm



Member of the Board of Management of Daimler AG.
Finance & Controlling/Daimler Mobility

We Invest in Transformation

A profound transformation across all sectors of the economy is needed to achieve climate neutrality. This includes the decarbonisation of industry and transport, which will require substantial investments. This is true for Daimler's transition to sustainable mobility as well.

A key aspect of this transition is to steadily reduce our vehicles' carbon emissions along the entire value chain. Green investment instruments enable us to align our sustainability strategy with our financing strategy by giving investors the opportunity to fund projects that accelerate our transition to zero-emission mobility.

Ambition 2039, Mercedes-Benz's pathway to sustainable mobility, includes bold yet attainable climate-protection targets. We aim for Mercedes-Benz Cars and Vans' new vehicle fleet to be completely carbon-neutral – at all links of the automotive value chain – by 2039. In addition, we recently announced that Mercedes-Benz is preparing to go all-electric by the end of this decade where market conditions allow. Our shift from electric-first to electric-only will help accelerate progress toward a zero-emission, software-driven future.

In addition, the amount of investments based on environmental, social and governance (ESG) criteria has increased steadily in recent years, as has the number of institutional investors committed to the UN Principles for Responsible Investment (PRI). This offers us the opportunity to differentiate ourselves in debt and equity markets by means of our sustainable business strategy,

ambitious targets and transparent reporting. Beyond capital markets, policy-makers, communities, and citizens want a more purpose-driven, sustainable economy. Businesses play a key role in this shift, and stakeholders expect companies to direct funding toward business activities that are also good for people and the planet.

Daimler issued a [Green Finance Framework](#) in 2020. Its purposes are to sharpen our profile as a sustainable investment in the fixed income market and enable us to tap sustainable financing that will help us achieve our ambitions. The framework articulates the principles according to which Daimler will use green financing instruments. It was assessed by CICERO Shades of Green, a subsidiary of the Oslo-based Center for International Climate and Environmental Research (CICERO) in June 2020. CICERO awarded Daimler's framework its highest rating ("Dark Green") and deemed the framework's governance procedures to be "Excellent."

The framework's structure, which was developed in consultation with Swedish bank SEB, is consistent with the 2018 editions of both the ICMA Green Bond Principles (GBP) and the LMA and APLMA Green Loan Principles (GLP).¹ Daimler's green bonds and green loans strive to reflect best practices in line with evolving market standards and the entry into force of the European Union (EU) classification of environmentally sound economic activities (taxonomy) and the EU Green Bond Standard.

¹The Daimler Green Finance Framework is also in line with the updated version of the ICMA Green Bond Principles published in 2021.

The framework conditions apply to a wide range of debt instruments, including green bonds, green *Schuldscheine* (a debt instrument specific to the German market), green commercial paper and green loans. The proceeds will be used exclusively to finance projects that directly contribute toward a low-carbon and climate-resilient society.

Daimler AG made its first issuance under the Green Finance Framework in September 2020, a EUR 1 billion benchmark bond with a term of ten years and a coupon of 0.75 percent. The bond, which was more than four times oversubscribed, was arranged by BBVA, BNP Paribas, Commerzbank, Crédit Agricole, SEB and Unicredit. Daimler issued another EUR 1 billion green bond in March 2021, which was arranged by BBVA, BNP Paribas, Commerzbank, Deutsche Bank and Santander. It has a term of 12 years and a coupon of 0.75 percent.

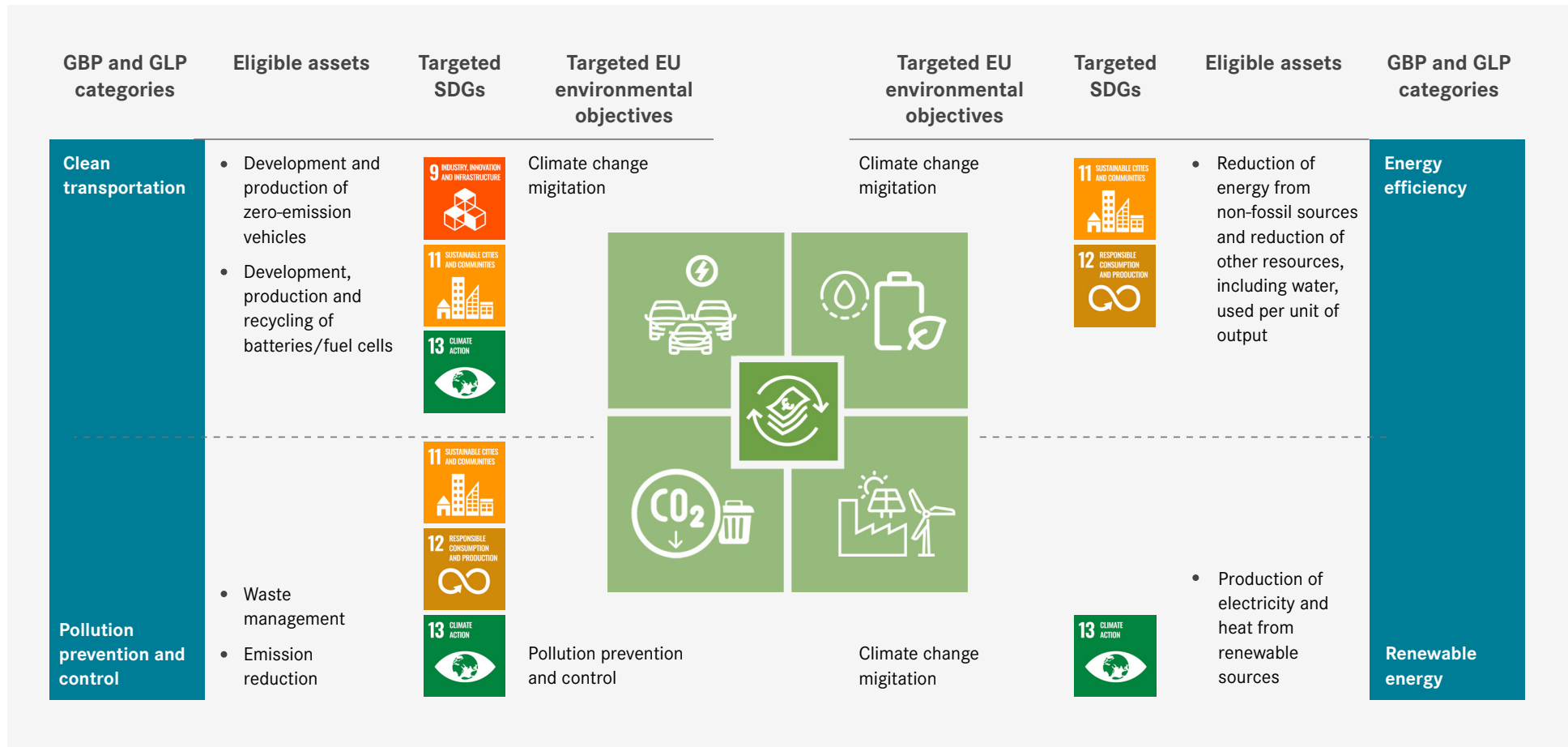
Daimler fully endorses the United Nations Sustainable Development Goals (SDGs). Although the SDGs are primarily intended to provide guidance to countries and governments, progress toward the goals will depend to a large degree on companies and their ability to innovate and invest. Daimler's sustainable business strategy is closely aligned with the 17 SDGs. The net proceeds from our green financing instruments will fund various projects that contribute in particular to SDGs 9 (Innovation, Industry and Infrastructure), 11 (Sustainable Cities and Communities), 12 (Responsible Consumption and Production) and 13 (Climate Action).

These projects include the research, development and production of zero-emission vehicles, the production of their drivetrains and the expansion of charging infrastructure. The proceeds from green financing instruments can also be used to modernise and upgrade production facilities, to build new factories for zero-emission vehicles and their drivetrains and to expand the recycling of batteries and cells. Other eligible projects focus on conserving energy and other resources, harnessing more renewable energy, preventing and reducing waste, and reusing and recycling materials.

The acceleration of our transition toward zero-emission mobility, which is exemplified by our shift from electric-first to electric-only, will require a consistently high level of investment and funding. Our Green Finance Framework, under which we can issue additional green financing instruments and obtain green loans, will play a vital role in generating these funds and thus in enabling us to deliver on our commitment to decarbonisation and zero-emission mobility.

This is our first Green Finance Investors Report. Its purpose is to provide investors and the public with transparent information about financial indicators and the environmental impact of selected projects from two of our Green Finance Framework's categories: Clean Transportation and Energy Efficiency (GBP and GLP).

Eligible categories and asset description



Changing Lanes - SpurWechsel

The future of mobility is electric. Even when charged with today’s electricity mix, electric vehicles have a significantly lower carbon footprint than their internal-combustion counterparts. As the electricity supply becomes progressively greener in the decades ahead, so too will electric vehicles. That is why Daimler is changing lanes to all-electric.

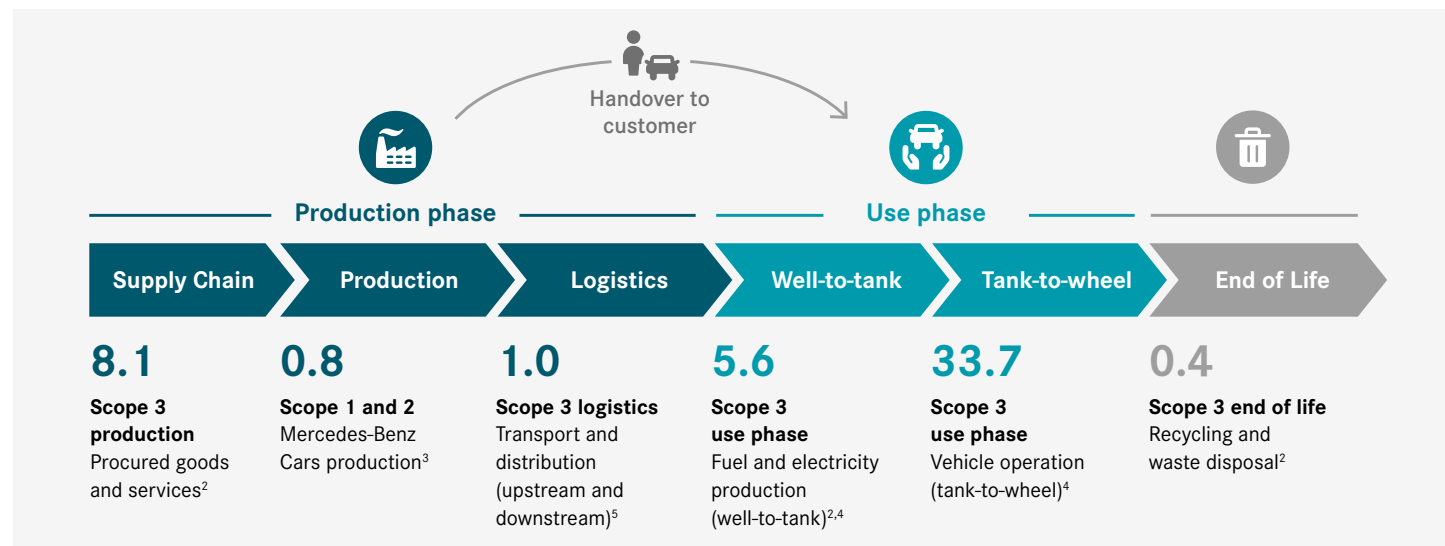
At Daimler, sustainability means creating economic, environmental, and social value for all our stakeholders: customers, employees, investors, business partners, and society as a whole. Designing innovative solutions today that will be key components of tomorrow’s climate-neutral mobility systems will lay the foundation for our future business success. This holistic strategy applies to our products and manufacturing facilities as well as our upstream and downstream value chain.

As stated in the previous section, we aim for Mercedes-Benz Cars and Vans’ new vehicle fleet to be

carbon-neutral – at all links of the automotive value chain – by 2039, and for our products to be all-electric by 2030 where market conditions allow.

Mercedes-Benz has set two science-based targets for 2030: to reduce the carbon emissions of its new car fleet during the use phase by more than 40 percent and to halve the Scope 1 and 2 carbon emissions of its plants and energy procurement. These targets, which are relative to a 2018 baseline, were approved by the Science Based Targets initiative in 2019 and are in line with the Paris Climate Agreement to limit global warming.

Scope 1, 2 and selected Scope 3 CO₂ emissions in tons per vehicle Mercedes-Benz Cars (2020)



¹ For calculation basis see appendix [How we calculate and document our CO₂ emissions](#) and [Scope 3 emissions Mercedes-Benz Cars](#)

² See [life cycle assessment of vehicles](#)

³ See [key figures environment](#)

⁴ Driving emissions of Mercedes-Benz Cars fleet (EU, China, USA and RoW) standardized, mileage: 200,000 km, for data basis see chapter [Climate protection: Our CO₂ emissions – in all of our fleets](#)

⁵ Forecast value

Achieving our decarbonisation targets will involve shifting from electric-first to electric-only across the automotive value chain, including battery production and charging. Starting in 2022, Mercedes-Benz will have battery electric vehicles (EVs) in all segments. Looking ahead to 2025, all new vehicle architectures will be electric-only, and customers will be able to choose an all-electric alternative for every model. Altogether, we plan to invest more than EUR 40 billion in developing battery EVs between 2022 and 2030. Transforming our portfolio in this way will help bring forward the tipping point for EV adoption.⁶

The process is already under way. Our sales of plug-in hybrid and all-electric cars and vans tripled in 2020 and more than quadrupled in the first half of 2021, reaching 121,500 units. Of this figure, about 39,000 units were all-electric, including more than 19,000 units (+469.4%) of the EQA, EQC and EQV models. This accounts for about 10 percent of Mercedes-Benz's total sales.

“ *The EV shift is picking up speed - especially in the luxury segment, where Mercedes-Benz belongs. The tipping point is getting closer and we will be ready as markets switch to electric-only by the end of this decade. This step marks a profound reallocation of capital. By managing this faster transformation while safeguarding our profitability targets, we will ensure the enduring success of Mercedes-Benz.*



Ola Källenius

CEO of Daimler AG and Mercedes-Benz AG

We are decarbonising our production too. From 2022 onward, all Mercedes-Benz's own plants worldwide will be carbon-neutral.

We plan to achieve this in four ways:

- by enhancing our plants' energy efficiency
- by sourcing more green energy (all our facilities in Germany, for example, will purchase 100 percent renewable electricity starting in 2022)
- by installing rooftop solar panels and other systems to produce more green electricity and heat at our facilities
- by implementing qualified climate-protection projects to offset all unavoidable carbon emissions.

Mercedes-Benz's approach to batteries, an essential part of electric drivetrains, is holistic as well. We design them to be recyclable in order to preserve their value and reduce consumption of precious materials. We are currently planning to construct a battery-recycling plant in Kuppenheim in southwest Germany. This will give us in-house recycling capacity and enable us to add to our expertise.

⁶ Mercedes-Benz Strategy Update: electric drive | Daimler

Allocation Report

Portfolio of eligible assets (EUR mm)²

Final project pool	2017 Actual	2018 Actual	2019 Actual	2020 Actual
Total p.a.	183	385	680	979
Clean transportation	183	385	680	978
Energy efficiency		0.2	0.6	1.0
Pollution prevention & control				
Renewable energy				
Total cum.	183	569	1,249	2,227

As a general rule, the proceeds from a green bond may only be used for items that are capitalised on Daimler's consolidated financial statements, such as capitalised development costs pursuant to IAS 38 and additions to fixed assets. However, they may also be used for non-capitalised research and development costs. All proceeds must be 100 percent allocated to eligible projects within a predefined timeframe.

Issuances³

Issuer	ISIN	Instrument	Currency	Nominal amount (EUR mm)	Net proceeds (EUR mm)	Coupon	Issue date	Maturity date
Daimler AG	DE000A289QR9	Senior unsecured notes	EUR	1,000	989	0.750% p.a.	10-Sep-20	10-Sep-30
Daimler AG	DE000A3H3JM4	Senior unsecured notes	EUR	1,000	989	0.750% p.a.	11-Mar-21	11-Mar-33
Total				2,000	1,978			

¹ The Allocation Report is presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded in accordance with standard business rounding principles.

² As defined in the Daimler Green Finance Framework from June 2020 and as approved by the Green Finance Committee and Group Sustainability Board.

³ As per the date of publication of this report.

Allocation information

ISIN	Allocated proceeds (EUR mm)	Amount disbursed (% of allocated proceeds)	Unallocated proceeds (EUR mm)	Share new financing vs. refinancing ⁵	Eligible assets remaining (EUR mm)
DE000A289QR9	989	100%	0	100%	
DE000A3H3JM4	989	100%	0	100%	
Total⁴	1,978	100%	0	100%	250

Allocation of proceeds (EUR mm)

ISIN	Instrument	2017	2018	2019	2020	Total
DE000A289QR9	EUR 1 bn Green Bond issued Sep-20	183	385	420		989
DE000A3H3JM4	EUR 1 bn Green Bond issued Mar-21			260	729	989
Total		183	385	680	729	1,978

⁴For the period from 1 January 2017 to 31 December 2020.

⁵Refinancing is defined as the financing of assets that have been taken into operation more than one year before the time of approval by the Green Finance Committee. For projects allocated to the Clean Transportation category, the date on which these assets entered operation is defined as their respective start of production.

Financed Projects



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The Mercedes-Benz EQS



The EQS – Mercedes EQ’s first all-electric luxury saloon – combines state-of-the-art technology, design, functionality and connectivity to maximise sustainability. Its environmental performance is systematically assessed across its entire life cycle: from materials and production to use and end of life.

Resource efficiency

The EQS¹ is produced in Factory 56 in Sindelfingen, located about 15 kilometres southwest of Stuttgart. Factory 56 – our most technologically advanced automotive plant – operates carbon-neutral and uses 25 percent less energy than a typical assembly facility.

¹ See labeling page 17.

The components of the EQS made proportionately from resource-saving materials (recycled and renewable raw materials) weigh 80 kilogrammes. The floor coverings are woven with regenerated nylon, one tonne of which saves more than 6.5 tonnes of carbon compared with virgin material.

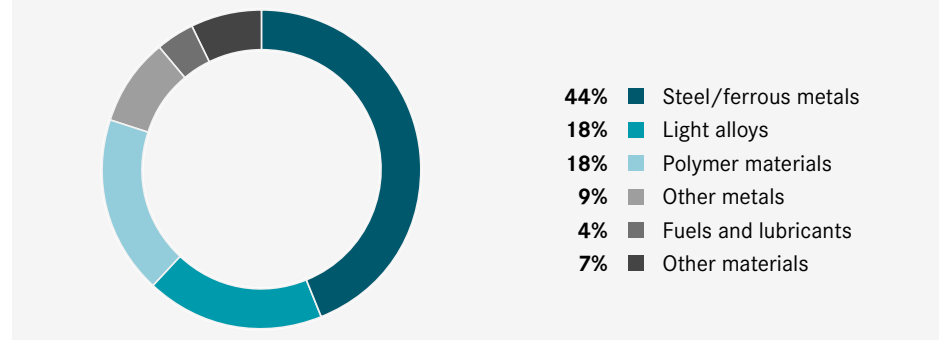


The aluminium used in the front bonnet has been certified by the Aluminium Stewardship Initiative (ASI). Through the alternative drive components, the mix of materials used in the EQS changed substantially compared with a conventional vehicle. Around one third of the vehicle is accounted for by light alloys, followed by steel/ferrous materials and polymers.

The EQS’s batteries, made in Hedelfingen just east of Stuttgart. Like all our passenger car and battery plants, Hedelfingen will be carbon-neutral

by year-end 2022. In addition, the batteries themselves have a significantly higher energy density than earlier generations and use only 10 percent cobalt.

Material resources - EQS

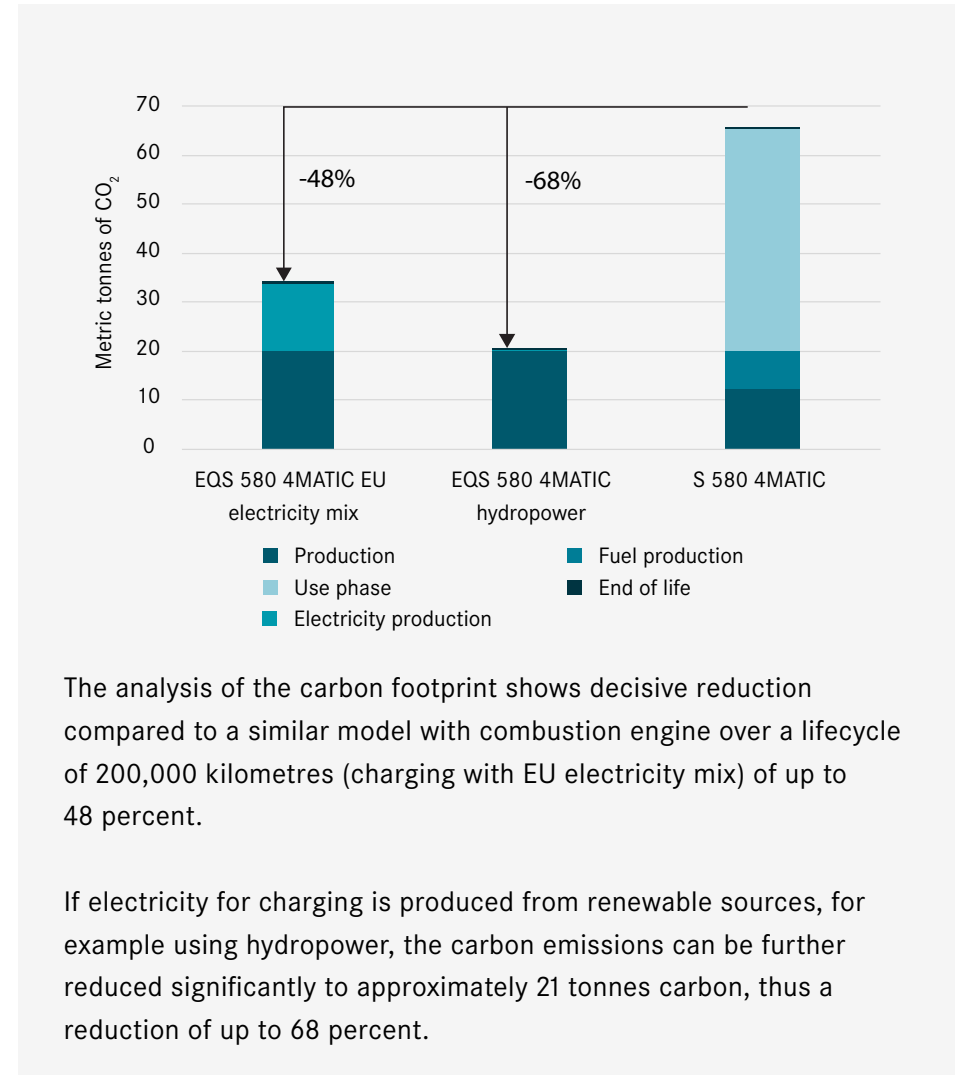


Sustainable supply chain

All suppliers of the EQS’s battery cells have been certified by independent testing agencies SGS and DEKRA to produce the cells carbon-neutrally, reducing associated carbon emissions by 30 percent.

More generally, as of September 2021, suppliers representing almost 90 percent of Mercedes-Benz’s annual purchase volume have signed an Ambition Letter, pledging to provide us with carbon-neutral products by 2039 at the latest. In future, we want to work exclusively with suppliers that share our standards for protecting the environment, the climate and human rights. That is why we have begun to rate their sustainability performance in all three of these areas. The results serve as important criteria for our procurement decisions.

Impact over life cycle



The analysis of the carbon footprint shows decisive reduction compared to a similar model with combustion engine over a lifecycle of 200,000 kilometres (charging with EU electricity mix) of up to 48 percent.

If electricity for charging is produced from renewable sources, for example using hydropower, the carbon emissions can be further reduced significantly to approximately 21 tonnes carbon, thus a reduction of up to 68 percent.

In addition, when including measures for carbon-neutral Mercedes-Benz production facilities and carbon-neutral battery cell production the carbon footprint can be further reduced. Thus, a reduction of up to 72 percent compared to a comparable vehicle with combustion engine can be achieved.

Two factors are becoming increasingly important, the production of the high-voltage battery and the generation of the electricity for the external charging of the battery. Approximately half of the carbon emissions generated during production of the EQS stem from the lithium-ion high-voltage battery and the battery periphery. Therefore, we collaborate with suppliers in order to reduce carbon emissions in our battery supply chain.

The EQS's all-electric drivetrain delivers 100 percent locally emission-free driving. Even if charged with the average EU electricity mix, over a lifecycle of 200,000 kilometres the EQS's carbon footprint is significantly smaller than that of a similarly sized vehicle. With an operating range of up to 784 kilometres (WLTP) and an output of up to 385 kW (about 520 horsepower), the EQS meets our customers' expectations for range and performance.

The EQS's technologically advanced features include a coefficient of drag from 0.20, which makes it the world's most aerodynamic production car. The ECO Assist energy-recovery system automatically detects vehicles ahead and ensures optimal recuperative deceleration, without the driver pressing the brake pedal.

The EQS's innovative battery management software, developed in-house, can be updated over the air (OTA), ensuring that it always remains up to date. The batteries themselves are covered by a ten-year/250,000-kilometres warranty.

Our Green Charging programme also helps reduce carbon emissions. To promote the use of electricity from renewable energy, Mercedes-Benz uses guarantees of origin to 'green' the charging process, whose quality is defined by an eco-power label. This ensures that an equivalent amount of electricity from renewable resources is fed into the grid to compensate for the charging of an electric vehicle. For three years after purchase, EQS owners pay no basic fee for Mercedes me Charge. With Mercedes me Charge, customers have been charging green at every public charging station throughout Europe since 2021. In addition, EQS customers in Europe can use the IONITY fast-charge network free of charge for one year as part of Mercedes me Charge. And the new Plug & Charge function enables the EQS to be charged conveniently.

End of life

Finally, the materials used are not lost when this life cycle comes to an end. The valuable materials contained in the high-voltage battery can for the most part be retrieved by specific recycling methods. Like all Mercedes-Benz passenger vehicles, the EQS complies fully with ISO 22628 by being 85 percent recyclable and 95 percent recoverable.



The EQS is assigned to our Green Finance Framework’s Clean Transportation category and contributes to SDGs 9 and 13.²



Facts

	EQS 450+	EQS 580 4MATIC
Class	Limousine	Limousine
Range	784 km (WLTP)	676 km (WLTP)
Maximum output	245 kW	385 kW
Combined electrical consumption (WLTP)	19.8-15.8 kWh/100 km	21.4-18.3 kWh/100 km
CO ₂ emissions (WLTP)	0 g/km	0 g/km
Combined electrical consumption (NEDC)	18.9-16.2 kWh/100	19.6-17.6 kWh/100
CO ₂ emissions (NEDC)	0 g/km	0 g/km

² [Daimler Green Finance Framework, published 18 June 2020](#)



Green charging

Mercedes me Charge is currently one of the world's largest charging networks, consisting of more than 530,000 AC and DC charging points in 31 countries, over 200,000 of them in Europe. IONITY's fast-charge network, for example, is powered exclusively by certified green electricity. With Mercedes me Charge, customers have been charging green at every public charging station throughout Europe since 2021 and in Canada and the United States since August 2021. Mercedes-Benz uses guarantees of origin to 'green' the charging process, whose quality is defined by an eco-power label. It ensures that as much green power is fed into the grid as is withdrawn via Mercedes me Charge.

Comprehensive life cycle assessment

A vehicle's environmental performance is determined by its emissions and consumption of natural resources throughout its life cycle. In 2005 Mercedes-Benz became the first automaker to ensure that all its vehicles adhere to the strict requirements of ISO/TR 14062, an internationally recognised standard for integrating environmental management into product design and development. This involves conducting a comprehensive life cycle assessment (LCA) of the model's total environmental impact from cradle to grave. Every environmentally relevant detail – from raw material extraction and production to use phase and recycling – is carefully assessed and documented.

➔ [Link to 360° Environmental Check](#)

The Mercedes-Benz EQA and EQB



The EQA is our new entry-level all-electric model and our first all-electric compact car. The EQB, our all-electric compact SUV, features up to seven seats, enabling it to meet a wide variety of transport needs. Both are designed to meet high sustainability standards.

Resource efficiency

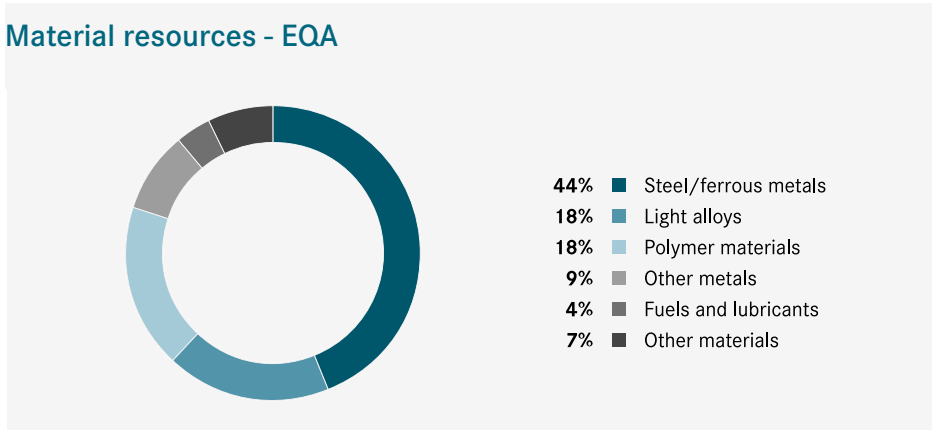
The EQA¹ is built in Rastatt (Germany) and will also be produced in Beijing (China); the EQB¹ will be produced in Kecskemét (Hungary) and Beijing. Their batteries are manufactured by Mercedes-Benz subsidiaries in Kamenz (Germany) and Jawór (Poland). Both of the latter are carbon-neutral production facilities.

The EQA and EQB's drive components require more material resources than those of a combustion-engine car. As a result, the EQA's carbon emissions attributable to resource extraction and production are twice as high (about 12 tonnes of CO₂ versus 6 tonnes). Nevertheless, over their entire life cycle – calculated to be 200,000 kilometres – the EQA and EQB emit 49 and 48 percent less CO₂, respectively, than a combustion-engine car based on the EU electricity mix. Mercedes-Benz strives continually to reduce the emissions of these vehicles' production and to conserve resources. Recycled and renewable raw materials currently account for about 47 kg of the EQA's and EQB's curb weight, figures we aim to increase going forward.



¹ See labeling page 21.

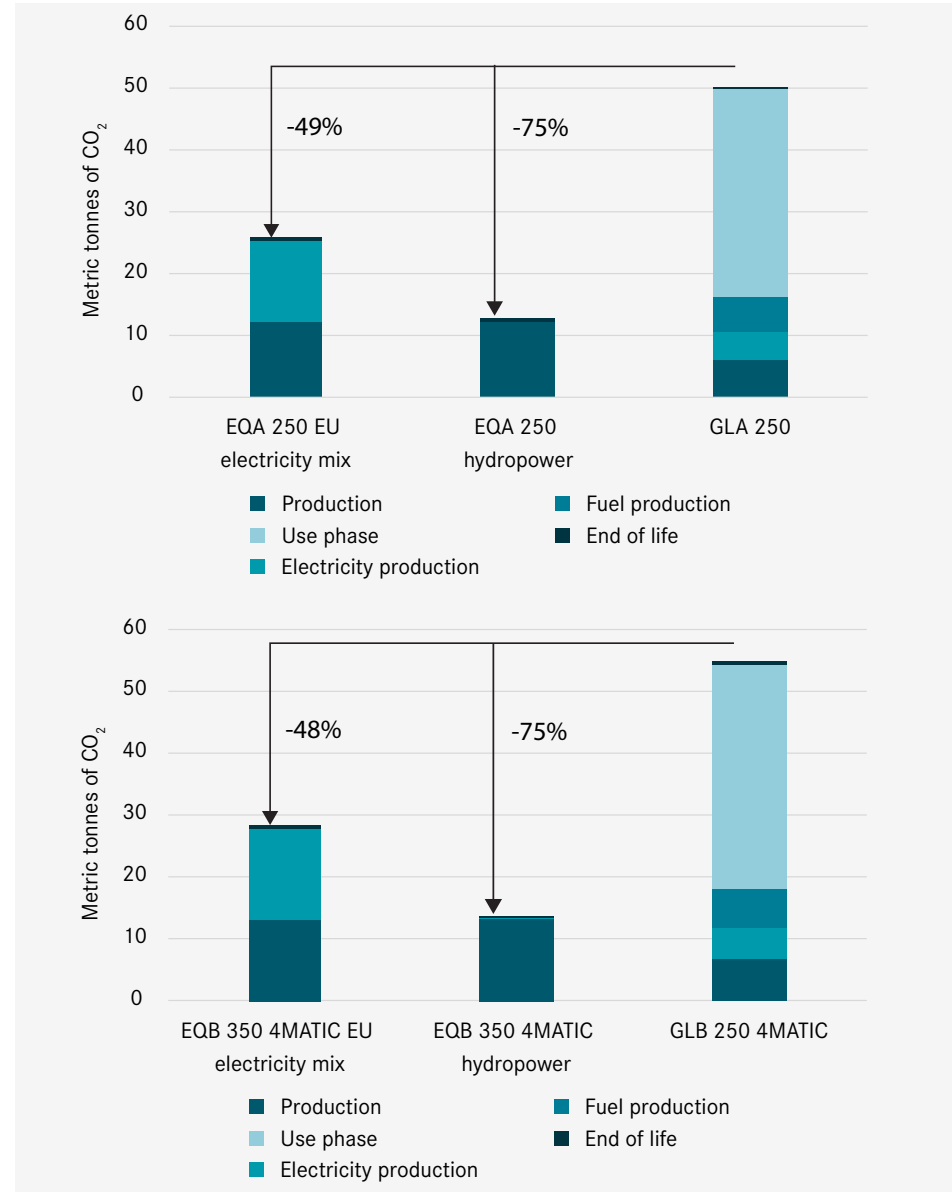
Material resources - EQA



Impact over life cycle

The EQA has a range of 400 to 432 kilometres (WLTP), the EQB 419 kilometres. Both are designed to minimise consumption by predominantly relying on their rear axle electric motor and using their front axle asynchronous motor selectively. The two models recover energy by converting energy generated in overrun mode and during braking into electrical energy to recharge their battery. In addition, a special feature called Electric Intelligence preheats or cools the battery while driving to ensure that it is within the ideal temperature parameters for a fast-charge station, which reduces charging time.

Given the current EU energy mix, the EQA, for example, emits a total of about 26 tonnes of CO₂ over its life cycle. A 100 percent renewable energy mix would nearly halve this figure to 13 tonnes and thus a reduction of up to 75 percent over the life cycle compared to a conventional vehicle is possible. That is why Mercedes-Benz is helping continually expand EQ drivers' access to green charging.



End of life

About 95 percent of the EQA and EQB is recoverable.



The EQA and EQB are assigned to our Green Finance Framework's Clean Transportation category and contribute to SDGs 9 and 13.²

Facts	EQA 250	EQA 300 4MATIC	EQA 350 4MATIC	EQB 350 4MATIC
Class	Compact SUV	Compact SUV	Compact SUV	Compact SUV
Range	426 km	400-426 km (WLTP)	409-432 km (WLTP)	419 km
Maximum output	140 kW	168 kW	215 kW	215 kW
Coefficient of drag	0.28	0.28	0.28	0.28
Combined electrical consumption (WLTP)	17.7 kWh/100	18.5-17.5 kWh/100	18.5-17.5 kWh/100	19.2-18,1 kWh/100 km
CO ₂ emissions (WLTP)	0 g/km	0 g/km	0g/km	0g/km
Combined electrical consumption (NEDC)	15.7 kWh/100	15.8 kWh/100	15.8 kWh/100	16.2 kWh/100 km
CO ₂ emissions (NEDC)	0 g/km	0 g/km	0 g/km	0 g/km

² [Daimler Green Finance Framework, published 18 June 2020](#)



Respecting human rights

Our Daimler Human Rights Respect System (HRRS) employs a risk-based approach to systematically address human rights issues. It is designed to identify and avoid systemic risks and possible negative effects of our business activities on human rights early on.

Battery-electric drive systems are a key element on the way to achieving carbon neutrality. This is associated with a changing and increasing demand for specific raw materials, in particular cobalt and lithium, but also nickel, graphite, manganese, and copper.

Our approach to sourcing raw materials for batteries is responsible and holistic. The aim is to minimize the social and environmental impacts of raw materials extraction and to ensure responsible sourcing. We only want

products that have been produced without human rights violations. That is why we have firmly established this topic in our sustainable business strategy. Under the umbrella of the HRRS, we analyse 24 critical raw materials for human rights risks, create transparency in our supply chains and take measures to reduce risks.

The procurement units of Mercedes-Benz AG and Daimler Truck AG jointly conduct comprehensive human rights assessments for raw materials that pose an increased risk of human rights violations. By the end of 2020 we had assessed 24 percent of all high-risk raw materials, including the battery raw materials cobalt and lithium. In 2018 Mercedes-Benz commissioned RCS Global, experts in responsible battery sourcing, to help enhance transparency along the complex cobalt supply chains and to audit them at every stage in line with OECD Due Diligence Guidance.

As of March 2021, more than 180 supplier facilities had been identified. Following a careful risk assessment, audits were completed for more than 60 of the suppliers. Mercedes-Benz will in future only source battery cells with cobalt and lithium from certified mines. Mercedes-Benz Procurement is therefore making the IRMA's internationally recognised Standard for Responsible Mining one of its key criteria for decisions and contracts along raw material supply chains.

In future, Mercedes-Benz will do business exclusively with raw materials suppliers that agree to comply with IRMA requirements. This reaffirms our commitment to respecting human rights and protecting the environment across our products' supply chains.

Mercedes-Benz Energy Storage Factory 56



power from the photovoltaic system. In addition to increasing the local use of renewable energy and making a measurable contribution to reducing carbon emissions, the new technology improves the supply security of the production operations and stabilizes the local power grid, for example by smoothing peak loads. A major advantage of the second life battery energy storage is its modular and standardized architecture, which is the result of a joint development between Mercedes-Benz Energy and the production planners of the Factory 56.

Reducing the carbon emissions of car production is a top Mercedes-Benz priority. Factory 56 is our flagship low-carbon production facility. Located in Sindelfingen southwest of Stuttgart, Factory 56 is almost one-third energy-autonomous, is net carbon-neutral, and uses 25 percent less energy than a typical assembly facility.

Factory 56’s rooftop solar array consists of more than 12,000 photovoltaic modules with more than 5,000 kilowatts of peak output, enough to meet about 30 percent of Factory 56’s annual power needs. Some of this power flows into an innovative DC network that runs ventilation units and other technical systems, thereby improving the plant’s energy efficiency. A stationary energy storage based on repurposed electric vehicle batteries from Mercedes-Benz Energy is also connected to the grid of the factory. With an overall capacity of 1,400 kWh, it acts as a buffer for excess solar

Factory 56 is assigned to our Green Finance Framework’s Energy Efficiency category and contributes to SDGs 11 and 12.¹



Facts	Mercedes-Benz Energy Storage
Type	Second-use storage
Capacity	1,400 kWh

¹ Daimler Green Finance Framework, published 18 June 2020

Impact Report

Final project pool	Portfolio of eligible assets (EUR mm) ^{1,3}	Proportion of project cost financed by Daimler	Eligibility for green bonds	Allocated proceeds (EUR mm) ²	CO ₂ emissions saved over life cycle of all-electric vs. comparable combustion-engine vehicle (tonnes of CO ₂ per vehicle) ^{3,4}	Energy-efficiency benefits over 10 years (tonnes of CO ₂) ⁵
EQS					32	
Clean transportation	EQA	2,226	100%	100%	24	
	EQB			1,978	26	
Energy efficiency	2	100%	100%			512
Cumulative total	2,227			1,978		

Methodology

We evaluate our products' environmental impact using a life cycle assessment (LCA). The LCA of the extraction and production phases is based on each model's roughly 2,500 parts. We use information from suppliers on production materials and analyses of our production processes to calculate the emissions attributable to these phases. Electric vehicles (EVs) have zero tailpipe emissions. Their use-phase emissions are therefore based on the emissions resulting from charging based on the EU electricity mix and an assumed operating life of 200,000 kilometres for the EQS, EQA and EQB. The LCA also factors in emissions attributable to dismantling and shredding (secondary raw materials only receive a carbon credit if they are reused as secondary materials in a new vehicle). An electric vehicle's emission-reduction potential is calculated by comparing its life-cycle carbon emissions with those of a comparable combustion-engine vehicle with an identical operating life.

Input variables:

- Models assessed: EQS 580 4MATIC vs. S 580 4MATIC, EQA 250 vs. GLA 250, EQB 250 vs. GLB 250 4MATIC
- Operating life: 200,000 km for the EQS, EQA and EQB
- Tank-to-wheel consumption data: WLTP
- Well-to-tank energy generation: EU electricity mix
- Well-to-tank fuel generation: EU fuels

¹ Portfolio of projects that are eligible for green bond financing as approved by the Green Finance Committee and Group Sustainability Board.

² This represents the amount of green bond proceeds that has been allocated for disbursements to the portfolio.

³ Figures are rounded.

⁴ Based on internal life cycle assessment calculations.

⁵ The energy-related benefits of the second life battery energy storage are calculated based on the optimization of energy flows for the system under investigation. The additional use of renewable energy over a lifetime of 10 years is determined in a simulation and analyzed in a life cycle assessment. The calculation takes into account the development of the German grid mix by 2030 based on national targets defined by the BMWi.

Sustainability Ratings and Rankings



Daimler has ESG ratings from Sustainalytics, MSCI ESG Research and ISS oekom ESG, all market-leading providers of ESG Research. The CDP climate rating, to which Daimler has been providing information for more than 15 years, placed Daimler in the leadership group (A-) in 2020. Daimler was one of the first signatories of the UN Global Compact. Mercedes-Benz Cars and Vans' climate-protection targets were scientifically assessed by the Science Based Targets initiative (SBTi) in 2019. Making progress toward these targets will help the countries where we operate meet their obligations under the Paris Climate Agreement. In 2006, Daimler joined the Global Reporting Initiative's (GRI) multi-stakeholder network, where it was initially an organisational stakeholder. It later became a Gold Community Member and is now a member of the GRI Community.

Additional information is available on Daimler's [website](#).

Imprint

Publisher

Daimler AG
70546 Stuttgart, Germany

Publisher's Representative

Michael Jochum

Publications Manager

Mirjam Bendak

Daimler Editors

Lisa Bauer, Jan Dillig, Pia Droidner,
Nadine Hotzwick, Valerie Wehner

Production Assistant

Fabian Hunke

Copywriting and Graphic Design

Stakeholder Reporting GmbH
nexxar GmbH

Photography

Daimler AG Image Archive

Contact

Daimler AG
HPC F391
70546 Stuttgart, Germany
sustainability@daimler.com
+49 711-170 (central number)

➤ daimler.com/sustainability

➤ daimler.com/investors/refinancing/green-finance

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