



Green Finance Framework

March 2023

Mercedes-Benz





Dear investors,

Mercedes-Benz continues its transformation towards an all-electric and software-driven future, even in times of macroeconomic and geopolitical uncertainty. As part of this effort, we will continue broadening our green finance offering as well as developing additional exciting all-electric vehicles, so that the world's most valuable luxury automotive brand can fund its transformation in a sustainable manner while creating new attractive green assets for investors.

To keep pace with our transformation, as well as evolving investment criteria and regulations, Mercedes-Benz has updated its Green Finance Framework as it pursues "Ambition 2039", the goal of achieving net carbon-neutrality along the entire value chain in the new vehicle fleet in 2039.

The revised Green Finance Framework describes the principles used by Mercedes-Benz to issue green financing instruments including Green Bonds, Green Schuldscheine, Green Commercial Paper and Green Loans. For the first time, we added Green Asset-Backed Securities to this list. In addition, we expanded the framework to include green assets at Mercedes-Benz Mobility. This opens up new opportunities for investors to allocate funds to our sustainable business strategy and in particular, towards our all-electric projects.

Our first Green Finance Framework was introduced in spring of 2020, laying out the principles for the use of group-wide green financing instruments aligned with ICMA's Green Bond and Green Loan Principles.

This laid the foundation for issuing our first green bonds in September 2020 and in March 2021. The bonds met with high investor demand and were oversubscribed and their proceeds were used to finance research and development as well as production projects for our all-electric EQS, EQB and EQA models.

A lot has happened since then, prompting us to update our Green Finance Framework. We successfully completed the spin-off and hive down of the commercial vehicle business, changed our name from Daimler to Mercedes-Benz Group, and made great achievements in our electric-only strategy. Mercedes-Benz plans to go all-electric by 2030 – wherever market conditions allow – and is already cutting investments into combustion and hybrid engines by 80 % between 2019 and 2026.

We now have eight all-electric models on offer, while rapidly expanding the proportion of our all-electric models in the Mercedes-Benz Mobility financing portfolios around the globe.

With more and more investors factoring sustainability into their investment criteria, this has created the basis for creating more green investment opportunities.

Changes in the Framework and particularities

Our revised Green Finance Framework retains the highest “Dark Green” rating as awarded by external second-party opinion provider CICERO and our governance continues to be rated “Excellent.”

The Green Finance Framework has been focusing exclusively on the project category Clean Transportation as defined in the Green Bond Principles and Green Loan Principles, reflecting our core business. The Mercedes-Benz Group did the utmost to align its framework with the evolving requirements of the EU Taxonomy approach and the reported activities thereunder. In some areas, our framework is even more focused: Proceeds from Mercedes-Benz green finance instruments will be allocated only to all-electric vehicles, rather than including hybrid vehicles, as is permitted under current EU Taxonomy requirements.

Under the new framework, we will continue to fund sustainable production and research and development activities and gradually shift our green funding focus to Mercedes-Benz Mobility, in line with the growth of eligible assets at our captive finance arm. Due to the ongoing global production ramp-up of all-electric models, the greatest potential for green financing requirements comes from the Mercedes-Benz Mobility portfolio. To support green financing within our captive finance business, we plan to expand the green financing instruments to include green asset-backed securities in the long term. Looking ahead, we strive to increase the variety and share of our green financing instruments. In addition to evaluating further green bonds in Europe, we are also looking at issuance opportunities in our major growth markets. In general, these planned emissions are dependent on market conditions, the actual need for financing and the sufficient availability of green assets.

As you can see, the Mercedes-Benz Group is not resting on its laurels but strives to live up to the pioneering ethos of its forefathers Gottlieb Daimler and Carl Benz to ensure that also in the area of green finance, the Group is fit and ready to embrace a sustainable future.

I would like to thank you, our investors, for your ongoing trust in our company. We hope that you continue to support us on our journey to a all-electric future.

Regards, Harald Wilhelm



Member of the Board of Management of Mercedes-Benz Group AG.
Finance & Controlling/Mobility

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Profile of Mercedes-Benz Group AG





Mercedes-Benz Group AG (“Mercedes-Benz Group”, or the “Group”) is one of the world’s most successful automotive companies. With Mercedes-Benz AG, the Group is one of the leading global suppliers of high-end passenger cars and premium vans. Mercedes-Benz Mobility AG offers financing, leasing, car subscription and car rental, fleet management, digital services for charging and payment, insurance brokerage, as well as innovative mobility services.

In a context of major technological and structural changes in the automotive industry, combined with a covid-19 crisis pandemic which has accelerated the steadily growing process of digitalisation, Daimler AG decided in July 2021 to spin off and hive down large parts of the previous Daimler Trucks & Buses segment, including the associated financial services business.

At the Extraordinary General Meeting on the 1st October 2021, the shareholders voted in favour of the spin-off and of changing the Group name from Daimler AG to Mercedes-Benz Group AG. The name change was effective on the 1st February 2022.

The company founders, Gottlieb Daimler and Carl Benz, made history by inventing the automobile in 1886. As a pioneer of automotive engineering, Mercedes-Benz Group sees shaping the future of mobility in a safe and sustainable way as both a motivation and obligation. The Group’s focus therefore remains on innovative and green technologies, as well as on safe and superior vehicles that both captivate and inspire. Mercedes-Benz Group continues to invest systematically in the development of efficient powertrains and sets the course for an all-electric future, with the goal to go all-electric by 2030, where market conditions allow. The Group’s efforts are also focused on the intelligent connectivity of its vehicles, autonomous driving and new mobility concepts. The Group regards it as its aspiration and obligation to live up to its responsibility to society and the environment.

Mercedes-Benz Group sells its vehicles and services in nearly every country of the world and has production facilities in Europe, North and Latin America, Asia and Africa. In 2022, the Group had a workforce of around 170,000 and sold 2.5 million cars & vans. The Group is listed on the Frankfurt and Stuttgart stock exchanges (ticker symbol MBG).

Mercedes-Benz Group					
Revenue:	150.0 bn €	Employees	168,797		
Mercedes-Benz Cars		Mercedes-Benz Vans		Mercedes-Benz Mobility	
Revenue:	111.6 bn €	Revenue:	17.2 bn €	Revenue:	27.0 bn €
Employees:	135,388	Employees:	19,137	Employees:	9,850
 MAYBACH  MERCEDES-EQ Mercedes me				Mercedes-Benz Bank Mercedes-Benz Financial Services  Mercedes pay Mercedes-Benz Rent	

Sustainability at Mercedes-Benz Group

The automotive industry is currently in the middle of its biggest ever transformation. Moreover, the world as a whole is changing at an increasingly dynamic rate. Sustainability and, in particular, environmental and climate protection are among the most urgent issues of our time. Digitalisation and shifts in global trade are changing our business and our Group. We firmly believe that individual mobility will remain a basic human need, and it will have to be provided in an energy-saving, low-emission and environmentally compatible manner. As a company, we also bear social responsibility. Not only do we face up to the challenges of the future; as the inventor of the automobile, we also want to set benchmarks for tomorrow's sustainable mobility.

Mercedes-Benz Group's goal is to build the world's most desirable cars while integrating sustainability, integrity, and diversity into its work. By doing so, Mercedes-Benz is reinforcing its role as a successful driver of innovation within its sector.

Sustainable Development Goals

Mercedes-Benz Group strategic goals supports the achievement of the Sustainable Development Goals (SDGs) – as defined by the United Nations. In order to assess its corporate performance with regard to the 17 SDGs, the Mercedes-Benz Group conducted an SDG analysis together with the analytical experts of TruCost in 2020. This involved examining the impacts of its business activities on the SDGs. As such, Mercedes-Benz Group's work is focusing on the SDGs 8, 9, 11, 12 and 13:



SDG 8 Decent Work and Economic Growth: Mercedes-Benz Group supports the implementation of humane working conditions by developing and implementing a risk-based management approach to respecting and upholding human rights in its own units and its supply chain. Mercedes-Benz intends to create attractive workplaces all over the world.



SDG 9 Industry, Innovation and Infrastructure: Mercedes-Benz Group is shaping the sustainable mobility of the future through digitalization and electrification. Through the expected benefits of this process, for example in the areas of safety and climate protection, Mercedes-Benz is demonstrating the potential of digital innovations for our society.



SDG 11 Sustainable Cities and Communities: The Mercedes-Benz Group is making a contribution to sustainable mobility in densely populated urban areas with its vehicles, data-based solutions for greater traffic safety or improvement of traffic flow, as well as multimodal connectivity of mobility packages.



SDG 12 Responsible Consumption and Production: Mercedes-Benz Group is working to increase the efficiency of its vehicles and significantly reduce its use of raw materials. One such task is to reinforce the closed material loops for the primary raw materials that are needed for the electric vehicles. In this way, Mercedes-Benz Group is laying the groundwork for sustainable production patterns.



SDG 13 Climate Action: Through its sustainable business strategy and the associated measures and goals for reducing the emissions of the vehicles, plants, and supply chain, Mercedes-Benz Group is contributing to global climate protection.



Sustainable Business Strategy

The Mercedes-Benz Group aims to create value that is sustainable – economically, ecologically and socially: This is one of the core principles of the Group. It applies not only to the Group’s own products and manufacturing locations, but also to the entire upstream and downstream value chain. It has translated this approach in its sustainable business strategy, with which it firmly embeds sustainability considerations in the daily business activities. In this way, the Mercedes-Benz Group intends, among other things, to fulfil the demands and expectations of its stakeholders – i.e. customers, employees, investors, business partners, nongovernmental organizations and society as a whole.

We have set ambitious goals for ourselves and defined six strategic areas of action for reaching these goals. Our areas of action are: climate protection & air quality, resource conservation, sustainable urban mobility, traffic safety, data responsibility and human rights. Our three enablers for making progress in these areas are: integrity, people and partnerships. We therefore consistently rely on ethical behavior, a motivated and knowledgeable workforce and cooperation with partners in industry, government, and society at large on the basis of mutual trust and the pursuit of common goals. Our strategic goals are closely based on the UN SDGs listed above and regular materiality analyses provide a basis for re-discussing the areas of action and determining whether they need to be updated.

Further information regarding the Group and its sustainability activities is available at <https://group.mercedes-benz.com/sustainability/>.

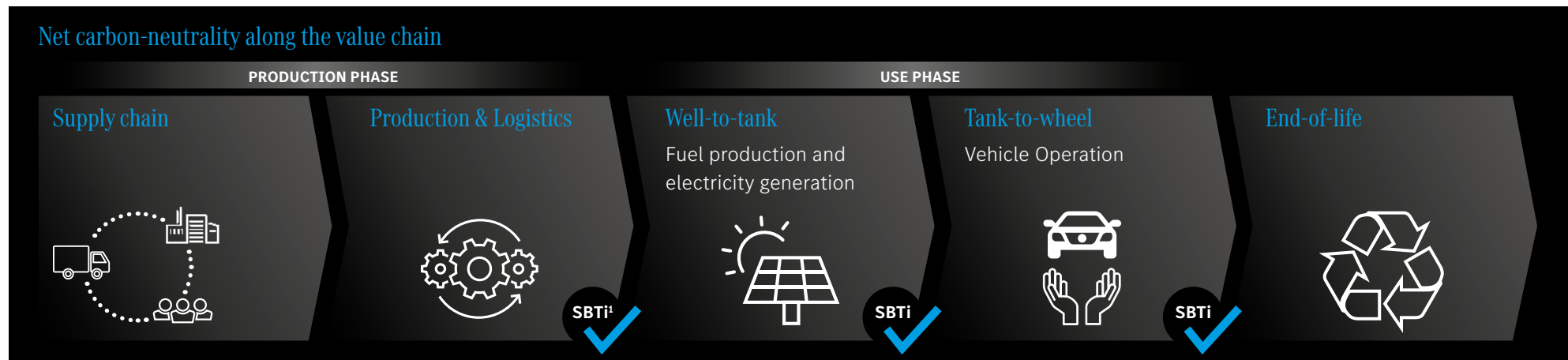
Climate protection

As a player in the transport sector, the Mercedes-Benz Group supports the Paris Climate Agreement: It is convinced of the objectives of the agreement. About one fifth of all greenhouse gas emissions in Europe are produced as a result of the transport of people and goods on streets and roads. The Mercedes-Benz Group is taking deliberate measures to counteract this trend and has made climate change mitigation a core element of its business strategy. The Group's ambition is to make the entire Mercedes-Benz new vehicle fleet net carbon neutral across all stages of the value chain by 2039.

In order to achieve this goal, the Mercedes-Benz Group is transforming the products and services that are at the heart of its business activities. The Group also takes into account climate change mitigation in all of the life cycle phases of its automobiles – from the supply chain and its own manufacturing operations to the use and disposal of the vehicles. The Mercedes-Benz Group sets itself ambitious targets for CO₂ reduction in the individual phases and systematically analyses the resulting CO₂ emissions and other environmental impacts along its entire value chain.

The company's goal is to cut by at least half the CO₂ emissions per passenger car along the entire value chain by the end of this decade, compared to 2020, when market conditions allow. The most important levers for this are electrification of the vehicle fleet, charging with green electricity, improving the battery technology, the decarbonisation of the supply chain and extensive use of renewable energies in production. Moreover, the goal of reducing the CO₂ emissions of the Mercedes-Benz new vehicle fleet by more than 40% compared to 2018 in relation to the use phase (well-to-wheel) has been confirmed by the Science Based Targets initiative (SBTi). Regarding Scope 1 and 2 emissions, the Mercedes-Benz Group already achieved its target of reducing CO₂ emissions at its own plants by 50% by 2030 compared to 2018. This target was likewise confirmed by the SBTi and is also being pursued beyond the production sites for the central functions considered. Production at all manufacturing locations operated by the Mercedes-Benz Group has been net carbon-neutral regarding Scope 1 und Scope 2 since 2022.

The Mercedes-Benz Group confirmed its corporate goal of improving the framework conditions for decarbonising the economy and society worldwide by joining the initiatives "The Climate Pledge" and "Transform to Net Zero" in 2020.



¹ Science Based Target initiative (SBTi) verified target related to production emissions (Scope 1 and Scope 2)

Overview of our climate protection targets	
Target horizon	Targets
Climate protection in vehicles and services	
2022	Mercedes-Benz offers battery electric vehicles (BEVs) in all segments where the brand is represented
By mid-decade	Increase the share of plug-in hybrids and all-electric vehicles to up to 50% ¹
2025	All new vehicle architectures are electric
2025	There is an all-electric alternative for every model offered by Mercedes-Benz
By the end of the decade	Mercedes-Benz is all-electric – wherever market conditions allow
By the end of the decade	Reduction of the CO ₂ emissions per car in the new vehicle fleet by at least 50% along all stages of the value chain ^{1,2}
2039	A fleet of new Mercedes-Benz vehicles that are net carbon-neutral along all stages of the value chain
Climate protection in the supply chain	
2039	Mercedes-Benz plants to procure only net carbon-neutral production materials
Climate protection in production	
2022	Net carbon-neutral production in company-owned Mercedes-Benz production plants worldwide
2030	Reduce CO ₂ emissions in the Mercedes-Benz plants (Scope 1 and 2) by 50% ³
2030	Increase the share of the energy requirement in own Mercedes-Benz production plants which is met through renewable energies: <ul style="list-style-type: none"> • Cars 70 % • Vans 80 %
¹ When market conditions allow. ² Compared to 2020, based on the entire value chain. ³ Compared to 2018.	

The Mercedes-Benz Group believes that the complete electrification of its product range is the most important lever for making its entire new vehicle fleet net carbon-neutral across all stages of the value chain by 2039. By the end of this decade, the Mercedes-Benz Group wants to be all-electric wherever market conditions allow. The strategic step to “Electric only” will accelerate the transformation of Mercedes-Benz to an all-electric and software-driven future. Altogether, the Mercedes-Benz Group wants to invest more than €60 billion between 2022 and 2026 for the transformation towards an all-electric and software-driven future.

As early as November 2021, the Mercedes-Benz Group underscored its commitment to this transformation during the COP26 UN Climate Change Conference. In the “COP26 declaration on accelerating the transition to 100% zero-emission cars and vans”, the Mercedes-Benz Group undertakes to work together with other companies, cities and governments to achieve net carbon-neutral transport for the future. The company is convinced that the electrification of vehicles will be instrumental in accelerating the transformation.

At the end of 2022, Mercedes-Benz Group had battery electric vehicles in all segments the Group serves. From 2025 onwards, all newly launched vehicle architectures will be electric-only and customers will be able to choose an all-electric alternative for every model the Group makes.

Mercedes-Benz Mobility is supporting the transformation towards electric mobility with tailored finance and leasing products that enable mobility: financing and usage models as well as additional services for electric cars. Through leasing, subscription and rental models, Mercedes-Benz Mobility offers a wide range of flexible options to experience electric vehicles in a carefree way in everyday life, thus strengthening confidence in electric mobility and facilitating the switch from a combustion engine vehicle.

Key enabler Green Mapping – Going electric, Mercedes Benz’ vehicle portfolio changes rapidly – which has a huge impact on our most important customers: our loyal Mercedes lovers, that especially Mercedes-Benz Mobility tries to keep engaged with the brand. Since 2020, we help our existing customers to change to an electric or hybrid car of their choice at high ease. With our Green Mapping algorithm, being a core feature of Mercedes-Benz Mobility’s global digital retention solutions, we prioritize electric or hybrid cars when generating personalized offers for our customers. By that, customers are aware of their choices – often they can change even early within their contract seamlessly into a green vehicle at a comparable monthly installment. Green Mapping is live in twenty-two markets by now.

Climate protection in the supply chain – On its path to net carbon-neutrality, Mercedes-Benz Group is taking into account the entire value chain, including its partners and suppliers. In order to reduce CO₂ emissions in the supply chain, Mercedes-Benz Cars and Mercedes-Benz Vans are actively promoting the transformation of their suppliers. For this, they use three levers: through the “Ambition Letter”, which applies in the case of the award of any new contract, suppliers pledge to the segments that only net carbon neutral products will be procured from 2039 on. In addition, they have integrated target values for CO₂ emissions into their criteria for award processes – the focus is on components that are produced in a CO₂-intensive manner. As a third lever, both segments work together with selected partners. The aim is to reduce CO₂ emissions in the supply chain – especially in the production of important components such as battery cells or body-in-white components – through innovative technologies. To this end, Mercedes-Benz AG has signed agreements with its strategic battery cell partners for the procurement of net carbon-neutral battery cells. Mercedes-Benz Group is teaming with partners around the globe to develop and efficiently produce cells and modules while increasingly pursuing a local-for-local approach. Following the strategy of purchasing where being produced, Mercedes-Benz has several battery partnerships in different geographies to not only accelerate its net-carbon-neutral mobility strategy but also to secure access to the latest technologies for its vehicle portfolio. In Europe ACC, Envision AESC and CATL, in the United States Envision AESC and in China CATL and Farasi. Mercedes-Benz has invested as an equal partner in the Automotive Cells Company (ACC) in order to build a European battery champion with global ambitions.



The procurement of net carbon-neutral produced battery cells has the potential to reduce the emissions of a cell by around 30% – an important milestone in minimizing the carbon footprint of current and future vehicle generations. Besides, to reach its climate goal as formulated in “Ambition 2039”, the Group initiated the dialogue with its supply network: almost 90% of suppliers (on the basis of annual procurement volume) have expressed their commitment to supply the Group only with net carbon-neutral products by 2039. Moreover, the Mercedes-Benz Group published its Responsible Sourcing Standards¹ in 2022.

Together with its steel suppliers the Group is working consistently to reduce CO₂ emissions in the steel supply chain and took big steps in 2021 on its way to achieve a green-steel supply chain:

- taking an equity stake in the Swedish startup H2 Green Steel (H2GS), in order to promote the transformation of the steel industry and to launch various vehicle models from 2026 which utilize almost CO₂-free steel
- procuring more environmentally friendly flat steel products from Salzgitter Flachstahl, an innovative and sustainable steel manufacturer
- establishing a partnership with the Swedish manufacturer SSAB for the delivery ultra-high strength martensitic steel which contains fossil-free direct-reduced iron.

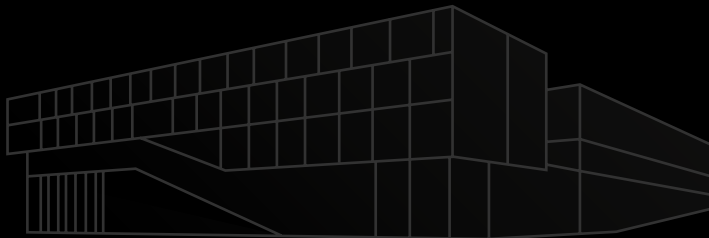
¹ <https://supplier.mercedes-benz.com/docs/DOC-2672>


Net carbon-neutral production – Since 2022, production at all manufacturing locations operated by the Mercedes-Benz Group has been net carbon neutral regarding Scope 1 und Scope 2, with purchased electricity coming entirely from renewable sources. Besides the procurement of green electricity another important pillar of net carbon neutral production for the Mercedes-Benz Group is the expansion of renewable energies at its locations. The aim is to cover more than 70 % (cars) and 80 % (vans) of the energy requirement in production with renewable energy sources by 2030. In order to continue to cover the energy requirements in production with renewable energies, the Mercedes-Benz Group is, among other things, planning to expand solar and wind energy at its own locations, and to conclude corresponding power purchase agreements.


Factory 56, a Mercedes-Benz plant in Sindelfingen, displays the direction as a net carbon neutral factory and serves as a blueprint for the global production network. The innovative energy concept includes a photovoltaic system, a DC power grid and energy storage based on reused vehicle batteries, covering approximately 30 % of the factory's annual power requirements.


All CO₂ emissions (Scope 1 and Scope 2) at production facilities operated by the Mercedes-Benz Group that have been as yet unavoidable have been offset by means of carbon offsets from qualified climate change mitigation projects, since early 2022. Remaining emissions are produced mainly in the combined heat and power plants which generate electricity and heat with natural gas. All offsetting projects comply with international accounting requirements and the high quality demands of the Gold Standard. In this way, the Mercedes-Benz Group supports projects that meet very high quality criteria, are subject to a reliable calculation methodology and avoid double counting. The climate-protection projects not only avoid CO₂ emissions but also promote sustainable, socially beneficial and environmentally friendly development in many ways in the countries where the projects take place. The focus of the Mercedes-Benz Group's climate policy is to reduce and avoid CO₂ emissions. According to the Intergovernmental Panel on Climate Change (IPCC), the global climate targets cannot be achieved through reduction measures alone. In addition, CO₂ would also have to be removed from the atmosphere. The Mercedes-Benz Group therefore also intends to include CO₂ removal projects in its portfolio in the future.


A new dimension in sustainable production





Greening of 40 % of the roof area 


Paperless production 

Energy storage from car batteries with a total capacity of 1,400 kWh 

Photovoltaic system with 12,000 modules generating around 5,000 KWp and thus 30 % of the factory's electricity requirement 

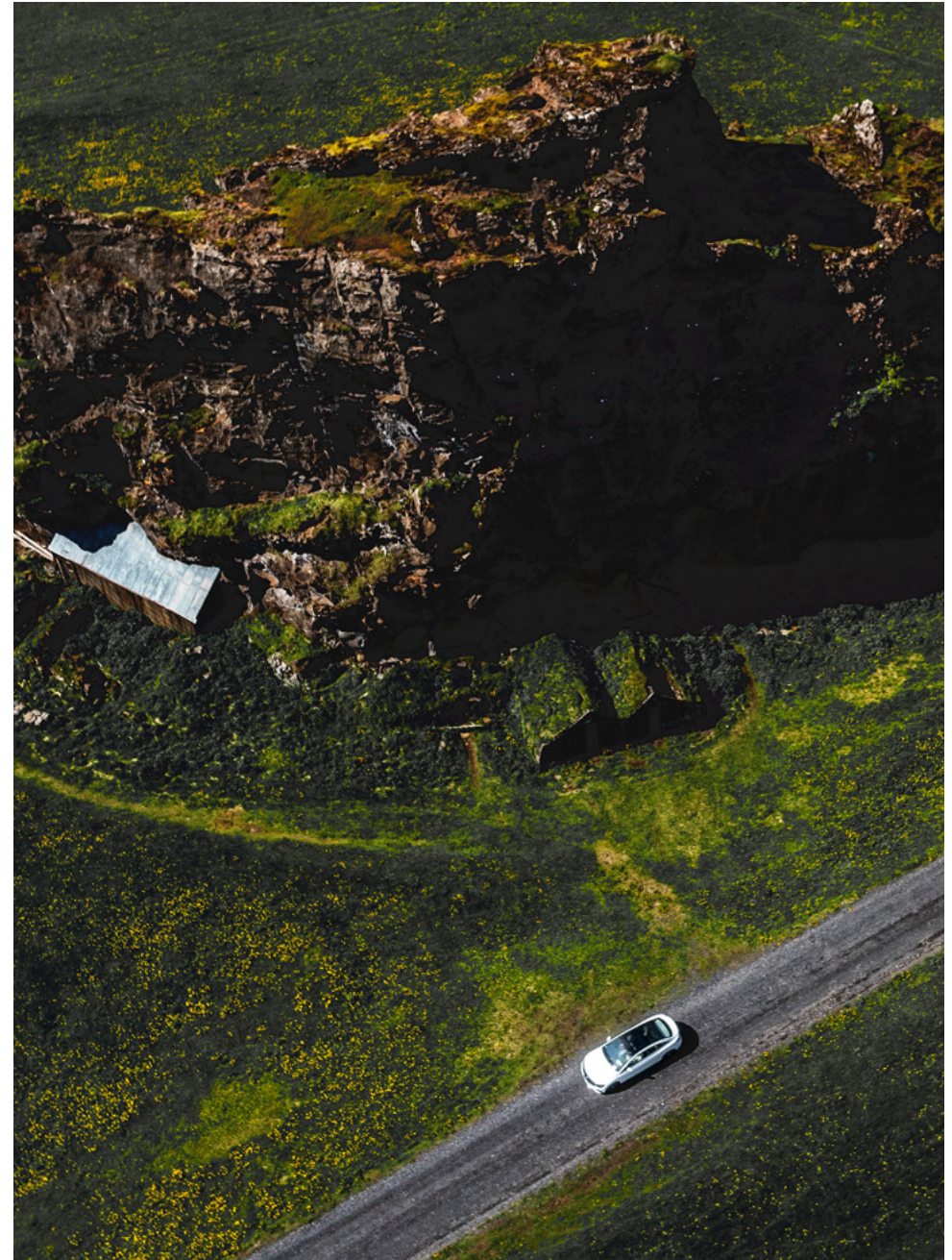
Innovative DC grid 

25 % reduction in energy demand 

Use of recycled concrete in the frontal building of Factory 56 

Charging infrastructure – Finally, to enable electric private mobility, charging infrastructure must make rapid progress and be more accessible – at home, at the workplace and in public spaces. According to the German federal government, a total of one million charging points should be added by 2030 and Mercedes-Benz Group has the intention to play a key role in developing these infrastructures. Indeed, Mercedes me Charge is one of the world’s largest charging networks with access to more than 1,000,000 AC and DC charging points and is continuously expanding. Moreover, the Group works to make the charging of electricity more convenient, faster, and accessible at home, the workplace and in public spaces.

In addition to making charging as easy and convenient as possible for customers, Mercedes me Charge also enables green electricity to be charged at public charging points in Europe, the USA and Canada. Energy Attribute Certificates (EACs) ensure that the corresponding amount of green energy is fed into the grid after each charging process. This green electricity bears the EKOenergie eco-label and is provided by certified energy generation plants.



Resource conservation

Resource consumption & Circular Economy – The closing of material cycles and the use of renewable raw materials are key measures for the responsible utilisation of resources. In order to achieve these goals, the Mercedes-Benz Group uses resource-efficient technologies and production processes. In addition, the Mercedes-Benz Group is increasingly using secondary materials such as recycled materials in its vehicles, along with renewable raw materials. The Mercedes-Benz Group has set itself the target of increasing the use of secondary raw materials for the passenger car fleet to an average of 40 % by 2030.

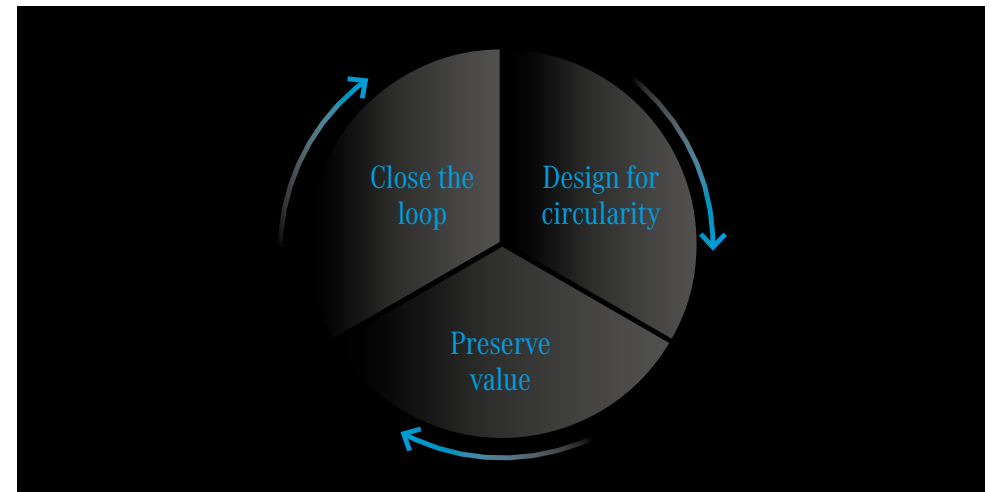
When developing products, the Mercedes-Benz Group keeps the circular economy in mind from the start and draws up a recycling concept for each new model series. For this, it analyses all components and materials and examines the extent to which they are suitable for the various stages of the recycling process. All Mercedes-Benz passenger car models and light commercial vehicles (Vehicle classification N1) have a materials recycling rate of 85 % according to ISO 22628. In addition, they are in compliance with the European End-of-Life Vehicles Directive 2000/53/ EC. This stipulates that cars and vans with a gross vehicle weight of up to 3.5 t must be 95 % recyclable.

The overriding goal of the Circular economy is to preserve the value of products, components and materials for as long as possible. The Mercedes-Benz Group too is increasingly depending on measures that promote the circular economy. In doing so, it follows the waste hierarchy: the top goal is to avoid waste. Mercedes-Benz Group strives to reuse batteries before they are recycled, and the key aspects of its activities in this area are the reuse and remanufacturing of used parts, the reutilisation of high-voltage batteries and the recycling of batteries.

Once it is no longer possible to recondition or reuse a battery, it is recycled in order to recover valuable raw materials. The basic goal is to increase recycling rates even further. The vision: today's old batteries are the mines for tomorrow's batteries. To achieve this, the Mercedes-Benz Group is involved in researching and developing

new recycling technologies and their establishment on the market. Together with specialised partners, it works to further optimise the recycling process and participates in funding and research projects. As electric vehicles will dominate the market, the number of batteries to be recycled will rise steadily, as well as recyclable material.

To create capacities for this, Mercedes-Benz AG is building its own net carbon-neutral pilot plant for the recycling of lithium-ion battery systems at its Kuppenheim location, Germany. The Kuppenheim facility is being built in two stages: initially, the plan is for a facility for mechanical dismantling to be built by 2023. In a second step – subject to regulatory developments – special plants for the hydrometallurgical processing of the battery materials will go into operation. This process, for which promising approval discussions have already been held with the public sector, makes recovery rates of more than 96 % possible. Following this example, Mercedes-Benz AG is planning to set up a closed-loop recycling system for batteries in China and the USA together with partners.



Sustainable urban mobility

The majority of the world's population already lives in towns and cities. According to a United Nations forecast, the share will be almost 70 % by 2050. This has consequences for the volume of traffic and quality of life in the city: a clever mobility mix, the further expansion of electric mobility and other types of zero-emission drive, plus solutions for the more efficient transport of goods are therefore more important than ever.

The goal of the Mercedes-Benz Group is not only to counteract the negative effects of urbanisation. Rather, the Group wants to further improve the quality of life in cities with sustainable mobility and transport solutions. Electric mobility is a key lever in this regard – but not the only one. A comprehensive electric mobility ecosystem of products, services, technologies and innovations is needed.

The Mercedes-Benz Group is facing up to these challenges and is already shaping the transport revolution of tomorrow with intelligent mobility.

Mercedes-Benz is currently conducting in-depth discussions with representatives of cities and regional governments in Europe and the United States in particular on how to make transport safer, more sustainable and more efficient. One important approach involves the use of intelligent, real-time vehicle-to-vehicle and vehicle-to-infrastructure connectivity systems.

Social engagement

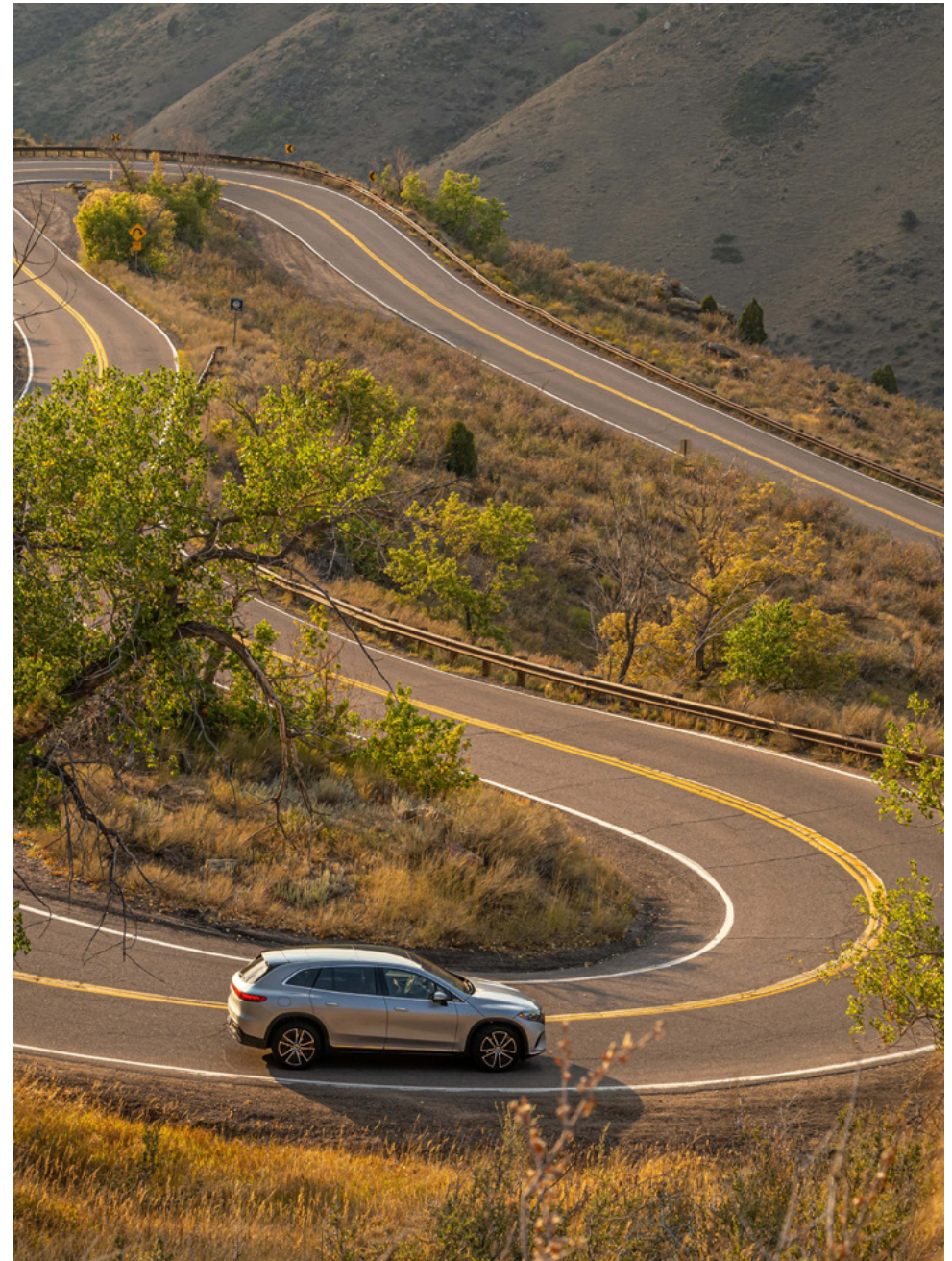
Safeguarding human rights – Electric mobility requires raw materials that often come from countries where there is a risk that they are mined under conditions that could be critical from a human rights standpoint. The goal of the Mercedes-Benz Group is to combine achieving business success with acting responsibly towards the environment but also towards people and society. To this end, the Group has the ambition to ensure that human rights are respected and upheld along the entire value chain – from the mines to the processing companies, our own production and finally the customer. To ensure that this is the case, Mercedes-Benz Group has developed a due diligence approach called the Human Rights Respect System (HRRS). This comprehensive due diligence approach encompasses the identification and assessment of our human rights risks, the definition and implementation of measures, the handling of risks and the monitoring of measures taken.

In addition, the Group respects the internationally recognized human rights and has committed itself to uphold the following standards, among others:

- Universal Declaration of Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights
- Ten principles of the UN Global Compact
- OECD Guidelines for Multinational Enterprises

Promoting diversity and equal opportunity – We know that our employees are a key element of the Group’s success. At the Group level, we promote a diverse and inclusive corporate and management culture. We want to make sure to provide a modern, flexible and diverse working environment in which everyone can develop optimally and contribute their skills and personalities. The promotion of an increased proportion of women in leading management positions is one of our key goal and we are aiming for a share of 30 % in 2030¹.

Enabling a Just Transition – Due to electric mobility and digitalisation we are currently experiencing the greatest structural change in the history of the automotive industry. This is being accompanied by the extensive transformation of our Group, which is changing the nature of professions, activities, and requirements profiles. This in turn is increasing the need for further training in many positions held by both management staff and employees. That’s why we offer a wide range of qualification programs for new forms and types of work.



¹Back in 2006, The Group was one of the first in Germany to set itself the voluntary target of increasing the proportion of women in senior management positions worldwide to 20% by the end of 2020. This goal has been achieved. At Mercedes-Benz, the proportion of women in senior management positions worldwide is 24.7% (2022).

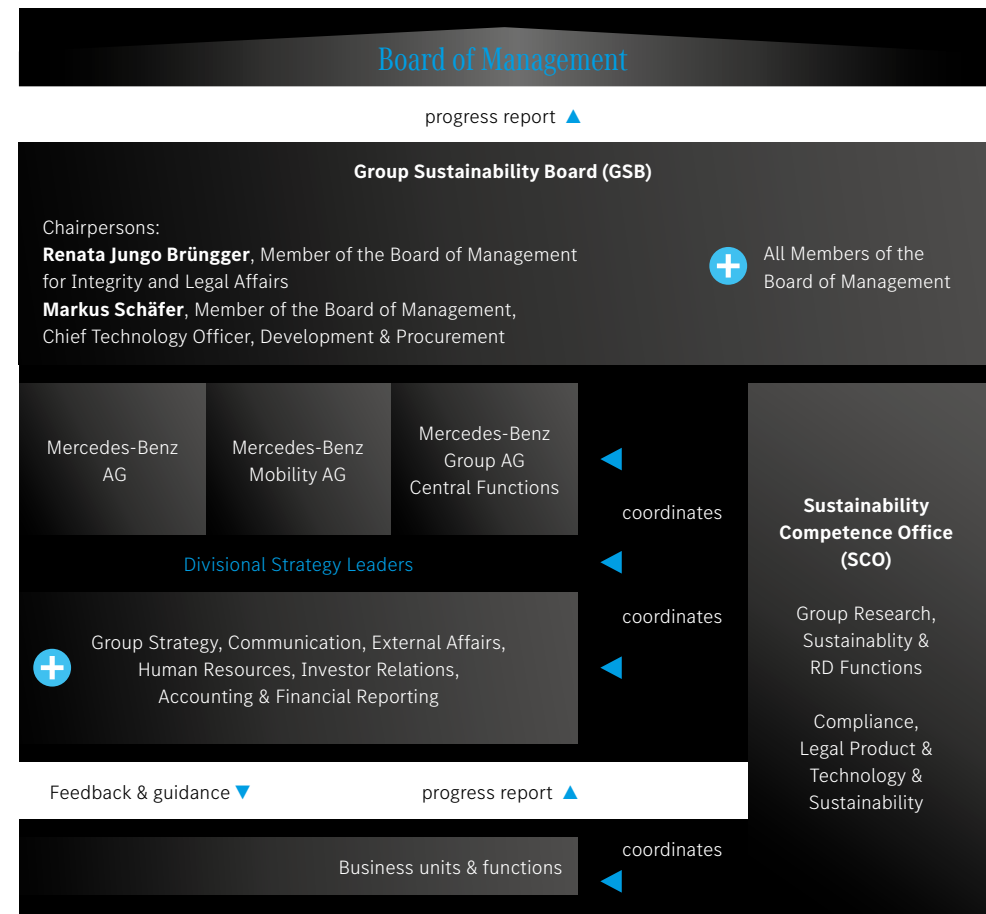
Sustainable Corporate Governance

Connecting ESG progress and management compensation

Within the framework of the variable performance-related remuneration component for board of management members, non-financial goals related to ESG criteria including CO₂ targets, are defined. Having a strong focus on making the remuneration system of the Board of Management consistent with that of the management team, we ensure that all of the decision-makers pursue uniform goals while taking the same financial and sustainability/environmental, social and governance (ESG) aspects into account and promoting the Group's cultural and organizational realignment.

The Group Sustainability Board

The Group Sustainability Board (GSB) is our central management body for all sustainability topics and reports to the Board of Management. The GSB is chaired jointly by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Markus Schäfer (the Board of Management member responsible for Development and Procurement, who is also the Chief Technology Officer). The Chairman of the Board of Management and all other Board of Management members, as well as the managers of all relevant functions and departments, are members of the GSB – for example Finance, Investor Relations, External Affairs, Marketing & Communications and Human Resources. The management processes with cross-divisional and functional relevance in relation to sustainability are covered by this governance structure in order to regularly review and improve the Mercedes-Benz Group's performance.



The Advisory Board for Integrity and Sustainability

The Advisory Board for Integrity and Sustainability, created in 2012, offers external inputs and recommendations for the Group's sustainability activities. The Board's members are independent external experts from the fields of science and business, as well as from civic organisations. The Advisory Board convenes several times a year in meetings that are chaired by the member of the Board of Management responsible for Integrity and Legal Affairs.

ESG risks assessment and reporting

Risk and opportunity management is a firm component of the Group-wide planning, controlling and reporting process. It is designed to support the sustained achievement of the corporate targets and to ensure risk awareness at the Mercedes-Benz Group. In identifying sustainability-related risks and opportunities, Mercedes-Benz Group is guided by the topics identified by the materiality analysis and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. Climate-related risks and opportunities in connection with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) are assessed and a dedicated TCFD report is published.²

Mercedes-Benz Group's external reporting focusses on reporting standards that are relevant to our investors (incl. TCFD, SASB, GRI), and we continuously monitor the way the ESG-related requirements of our investors are developing.

²Mercedes-Benz TCFD report 2021 is available on the following webpage:
<https://group.mercedes-benz.com/dokumente/investoren/berichte/geschaeftsberichte/mercedes-benz/mercedes-benz-ir-tcf-d-fy-2021.pdf>

ESG ratings

Mercedes-Benz Group holds ESG Ratings from agencies such as MSCI, Sustainalytics and ISS ESG, all market-leading providers of ESG research. In 2022, the Group once again received an A rating from MSCI. Sustainalytics continues to rank it strongly in its peer group of automobile manufacturers. The Group's ISS ESG rating corresponded to the best possible rating in the automotive sector (Prime Status C+). The Group has also been using the CDP questionnaire to disclose data concerning climate-related activities for more than 15 years and on water-related activities since 2021.



Mercedes-Benz Group Green Finance Framework

In 2021, Daimler AG set its strategic course for the future with the successful spin-off and hive-down of the Daimler truck and bus business and two powerful and independent companies with a clear profile were created. This allows Mercedes-Benz Group to intensify its ambition towards an all-electric product portfolio and clearly positioning of Mercedes-Benz further as a sustainable luxury brand.

This new Green Finance Framework has been created to reflect the new Group's continued commitment to sustainability, new best market practice and legal reporting requirements such as the EU Taxonomy, as well as to enable our investors to support us in our aspiration and obligation to live up to our responsibility towards society and the environment.

This Framework has been developed to align with the 2021 ICMA Green Bond Principles (GBP)³ as well as the 2021 APLMA, LMA and LSTA Green Loan Principles (GLP), and therefore consists of the four key pillars and recommended External Review component:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

³ICMA Green Bond Principles June 2021 with June 2022 Appendix 1

⁴Refers to EUR-Lex - 32021R2139 - EN - EUR-Lex (europa.eu), 'Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives'. This Regulation will be referenced throughout the Framework using 'EU Taxonomy', or similar.

⁵Refers to EUR-Lex - 32020R0852 - EN - EUR-Lex (europa.eu), 'Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

The Framework has been developed to align with the substantial contribution to climate change mitigation part of the technical screening criteria of the EU Taxonomy⁴. Furthermore, the Mercedes-Benz Group will do the utmost to align with the Do No Significant Harm (DNSH) part of the technical screening criteria of the EU Taxonomy as well as the minimum social safeguards. As market standards develop, including EU Regulation on the Taxonomy⁵ and the European Green Bond Standard (EUGBS), Mercedes-Benz Group will reactively update this Framework to reflect best market practices.



Use of Proceeds

Mercedes-Benz Group has established this Framework to issue Green Finance Instruments including, but not limited to Green Bonds, Green Schuldschein, Green Commercial Papers, to initiate the issuance of Green Asset Backed Securities (Green ABS⁶) and to take up Green Loans, for which the proceeds will be exclusively allocated to finance, in whole or in part, Eligible Assets. Eligible Assets are defined as assets that meet the criteria of this Framework⁷. Where Mercedes-Benz Group co-finances Eligible Assets, such as through Joint Ventures, proceeds will only be allocated for the Mercedes-Benz Group's share of the total asset financing and reported accordingly. Mercedes-Benz Group will allocate the proceeds from Green Finance Instruments to finance:

1. Capital Expenditures for the acquisition⁸, construction, development, installation, manufacturing, renovation, retrofitting and upgrade of Eligible Assets;
2. Related Research and Development;
3. Customer financing and leasing of Eligible Assets.

Proceeds from Green Finance Instruments can finance new Eligible Assets and/or refinance existing Eligible Assets. Mercedes-Benz distinguishes between financing and refinancing as follows:

- For our Research & Development and Manufacturing activities, refinancing is defined as the financing of existing Eligible Assets that have been taken into operation more than one year before the time of approval by the Green Finance Committee (see next section).

⁶ABS transactions initiated by Mercedes-Benz Group are issued through Special Purpose Vehicles and are backed by financial assets like retail loans and leases originated by the Financial Services companies and are used in different countries globally. ABS has been used by the Mercedes Benz Group since the late 1990s and is an important pillar of the refinancing of its customer finance business. For purposes of Green Asset Backed Securities, the use of proceeds shall be assessed and applied on the originating entity (Mercedes-Benz Group entity) and not on the level of the Special Purpose Vehicle issuing the Green ABS.

⁷Eligible Assets are defined using the criteria of this Framework and do not relate to the eligibility criteria of the EU Taxonomy.




⁸Capital expenditures for the acquisition of eligible assets can only relate to the cost of the fixed assets. This is in line with the annual EU Taxonomy reporting of Mercedes-Benz Group.

- For our Customer financing activities, refinancing is defined as the financing of existing Eligible Assets (Customer Financing or Leasing Contracts) which were in place prior to the issuance of the respective Green Finance Instrument.

Mercedes-Benz Group intends to allocate the proceeds of a given Green Finance Instrument to Eligible Assets that originated no more than three calendar years prior to the year of issuance of the Green Finance Instrument.

The proceeds raised from the Green Finance Instruments will be allocated to the Green Bond Principles category "Clean Transportation".

Table 1. Eligibility criteria

GBP & GLP Category		
Clean transportation Development, production and customer financing/leasing of Battery Electric Vehicles (BEV).		
Eligible Assets		
Research & Development Research & Development of Battery Electric Vehicles including sourcing, tooling and testing concepts, products and production processes.	Manufacturing Manufacturing facilities for the purpose of enabling and/or expanding the production of Battery Electric Vehicles.	Customer financing Customer financing and leasing of Battery Electric Vehicles (BEV)
Related EU Taxonomy activity		
3.3 Manufacture of low carbon technologies for transport		6.5 Transport by motorbikes, passenger cars and light commercial vehicles
Targeted SDGs		
		

Exclusions

For the avoidance of doubt, proceeds from Mercedes-Benz Green Finance Instruments will not be allocated, in whole or in part to finance assets related to combustion-engine vehicles or hybrid vehicles.

Process for Project Evaluation and Selection

The Project Evaluation and Selection Process ensures that the proceeds of the Mercedes-Benz Group Green Finance Instruments are allocated to assets that meet the criteria set out in the Use of Proceeds section.

To ensure that allocations are made to Eligible Assets as specified above, the Group has established a Green Finance Committee which is mandated by the Group Sustainability Board and meets when required or as a minimum on an annual basis. The Green Finance Committee is comprised of representatives from:

- Treasury
- Compliance
- Sustainability, Group Environmental Protection and Energy Management
- Finance and Controlling of Mercedes-Benz Cars, Mercedes-Benz Vans and Mercedes-Benz Mobility

The Green Finance Committee is responsible for:

- **Evaluating** the compliance of proposed assets with the eligibility criteria outlined in the Use of Proceeds section above. The evaluation and selection process of potential assets will include considerations around DNSH and minimum social safeguards, as well as potential lock-in effects, rebound effects and life-cycle aspects whereby, assets only qualify if there is a high likelihood of positive long-term effects on the environment. Decisions in the Green Finance Committee are taken in consensus.

- **Ensuring** that the portfolio of Eligible Assets is aligned with the criteria as specified in the Use of Proceeds section.
- **Replacing** assets that no longer meet the eligibility criteria (e.g. following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria and DNSH criteria / minimum social safeguards, etc.).
- **Reviewing** the content of the Green Finance Investor Report.

The Group Sustainability Board is responsible for the final approval of Eligible Assets, as well as any changes to the portfolio of Eligible Assets.





Management of Proceeds

An amount equal to the proceeds of Green Finance Instruments will be allocated to new assets and/or the refinancing of existing assets identified under the Use of Proceeds. The legal documentation for each Green Financing Instrument shall refer to this Green Finance Framework. To manage the proceeds of Mercedes-Benz Group's Green Financing Instruments, the Group has established a Green Financing Register.

The proceeds of each Mercedes-Benz Group Green Financing Instrument will be earmarked against the portfolio of Eligible Assets identified in the Green Financing Register. At the end of each year, the proceeds will be reduced by the amounts invested in Eligible Assets within the annual period.

The Group monitors and accounts for the allocation of the proceeds through internal information systems and databases.

The Green Financing Register will be reviewed annually by the Green Finance Committee to account for any re-allocation, repayments or drawings on the portfolio of Eligible Assets.

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with Mercedes-Benz Group's general liquidity guidelines until the allocation to Eligible Assets. The proceeds will be allocated within one year from the date of issuance.

For any Green ABS being initiated under this framework, the Use of Proceeds received will exclusively be allocated to finance new and/or refinance customer finance and leasing of Battery Electric Vehicles (BEV) as laid out in this Framework.

For Green ABS the Average Portfolio Collateral approach will be applied, whereby the collateral portfolio backing the Green ABS will not be identical with the Eligible Assets under this Framework but in general will reflect the average ABS eligible portfolio composition of car/engine types of the respective originating entity initiating these ABS transactions. This concept is in line with what is called "Use of Proceeds" in the EBA Report 2022/06 "Developing a Framework for Sustainable Securitisation". To reflect the short term and amortizing nature of ABS, the proceeds will be allocated to finance new and/or refinance customer financing and leasing of BEV.

For the avoidance of doubt the proceeds of each Green ABS will be earmarked against the portfolio of Eligible Assets in the Green Financing Register.

Reporting

To enable investors to follow the progress and to provide insight to prioritised areas, the Group will provide a Green Finance Investor Report on an annual basis until full allocation of the proceeds, and thereafter in case of any material change to the allocation. The report will also include information on the development of the transition towards net carbon-neutral mobility and, in particular, how the allocation of proceeds from our Green Finance Instruments are contributing towards the transition to sustainable mobility.

Allocation Reporting

The allocation report will, to the extent feasible, include the following components:

1. A description of the portfolio of Eligible Assets;
2. Type of financing instruments utilized and respective outstanding amounts;
3. Information on the split between new financing and refinancing;
4. Information about how unallocated proceeds, if any, have been held in line with the general liquidity guidelines;
5. Distribution of proceeds by type of financing (e.g. capital expenditures, R&D, customer financing);
6. Geographical distribution of Eligible Assets.

Impact Reporting

The Group will strive to report on the environmental impact of Eligible Assets financed by Green Finance Instruments, when feasible and subject to data availability. To avoid double counting and with considerations around sensitive information, the environmental impact of Eligible Assets may be provided on a model-by-model basis.

The Group intends to report on quantitative impact indicators where feasible and when relevant data information is available e.g., as results from Life Cycle Assessments (LCA). The following information may be included in the Green Finance Investor Report:

Example of reported impact

1. On a model-by-model basis for the relevant Battery Electric Vehicles, the following impact indicators may be included:
 - Carbon dioxide emissions (in metric tons CO₂) saved over the life-cycle of the Battery Electric Vehicles (BEV) vs. a comparable combustion-engine vehicle.
2. Aggregated avoided CO₂emissions from customer financing during the reporting year

Avoided emissions will be reported on an aggregated level due to competitiveness reasons.

The Green Finance Investor Report will be available on Mercedes-Benz Group's website.

External Reviews

Second-Party Opinion

The Group will obtain a Second Party Opinion from Cicero (S&P) who is an appropriate and experienced External Reviewer to confirm the alignment of this Framework with the GBP and to assess the environmental value-added. The Second Party Opinion will be available on the Mercedes-Benz Group's website.

External verification

Mercedes-Benz Group's annual Green Finance Investor Reporting will also be subject to external verification by an independent auditor verifying the internal tracking method and to assess the allocation of funds.

The external auditor's report will be published on Mercedes-Benz Group's website.

Disclaimer

This framework is intended to provide non-exhaustive, general information as of the date hereof. The information in this framework has not been independently verified and Mercedes-Benz Group does not make any representation regarding any information incorporated herein. Any forward-looking statements contained herein solely reflect Mercedes-Benz Group's current views and expectations at the date hereof and are subject to risks and uncertainties. They may not be taken or relied upon as forecasts, guarantees or promises regarding future events, developments or performance. The information contained in this framework is subject to change without notice and Mercedes-Benz Group does not assume any responsibility or obligation to update or revise such information, regardless of whether such information is affected by the results of new information, future events or otherwise. Mercedes-Benz Group may, however, in its sole discretion, update and amend this framework from time to time, in particular to account for any developments of market practice, regulatory requirements and the business activities of Mercedes-Benz Group. This framework is provided for information purposes only and does not constitute or form part of, and may not be construed as, an offer or invitation to sell securities, the solicitation of an offer to underwrite, subscribe for or otherwise acquire securities or a recommendation regarding any securities. This framework does not constitute legal or financial advice and nothing contained herein shall constitute, form the basis of or be relied on in connection with any contract, binding obligation or claim whatsoever. Any decision to purchase any Mercedes-Benz Group securities should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such securities. Prospective investors are required to make their own independent investigation and appraisals prior to any investment decisions and are solely liable for any use of the information contained herein. Mercedes-Benz Group shall not be liable for any damages, direct, indirect or otherwise and whether arising in tort, contract or otherwise, resulting from the use of, failure to implement or comply with or achieve the goals and intentions set out in and/or otherwise in connection with this framework. This framework is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons who might come into possession of this document must inform themselves about and comply with any applicable legal or regulatory restrictions.