



**Just Transition**

Mercedes-Benz Group

# Mercedes-Benz' Just Transition Approach

Sustainability is a high priority for the Mercedes-Benz Group. The interests of the most important stakeholders are taken into account: customers, investors and employees, business partners and society as a whole. The Mercedes-Benz Group acts on the basis of the sustainable business strategy that the Board of Management of the Mercedes-Benz Group AG has adopted with the involvement of the Supervisory Board. Economic, ecological and social responsibility go hand in hand – along the entire value chain.

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 and endeavours to implement them in all its

divisions. The Mercedes-Benz Group is taking deliberate measures and has made climate protection a key element of its business strategy. The ambition of the Mercedes-Benz Group: By 2039, create a net carbon-neutral<sup>1</sup> Mercedes-Benz new vehicle fleet along the entire value chain and over the entire life cycle.

The decarbonisation of the business model of the Mercedes-Benz Group leads to profound transformations; not only in terms of technology and products, but also in terms of people working at the Mercedes-Benz Group worldwide or along its complex value chains.

The Mercedes-Benz Group is therefore advancing the just transition as an integral part of its sustainable business strategy. The focus is not only on its own employees and the workforce in the value chain but also on political and lobbying activities as well as the impact of corporate activities on local communities.

This is in line with Mercedes-Benz Group's support of the Paris Climate Agreement and its objectives.

In the following sections, the four pillars of the Mercedes-Benz Group approach to shape a just transition are briefly described. Further details can be found at the end of each section.

<sup>1</sup> Net carbon-neutral means that carbon emissions that are not avoided or reduced at Mercedes-Benz are compensated for by certified offsetting projects.

## Own Workforce – Our »Sustainable People Plan«

In times of transformation, it is not just the right business models, products, technologies and digital solutions that are necessary. Equally important is a workforce that embraces change, constantly expands its skills and brings these into daily work with a willingness to innovate and perform.

With electrification, digitalization and the increasing use of powerful artificial intelligence (AI) systems, the working world of employees at the Mercedes-Benz Group is also changing. Work processes and structures are changing just as fundamentally as tasks and collaboration within the Group. The Mercedes-Benz Group is meeting the challenges and requirements of personnel transformation with a corresponding sustainable personnel

strategy – the Sustainable People Plan.

With this sustainable HR strategy, the Mercedes-Benz Group strives to shape the ongoing changes as part of the transformation in a responsible, socially acceptable and future-oriented manner.

The HR strategy consists of three pillars: »Re-Shape«, »Re-Skill«, »Re-Charge«.

- With »Re-Shape«, the Group is shaping a future oriented and competitive personnel positioning.
- »Re-Skill« is intended to ensure that employees are equipped with the necessary know-how for future activities and tasks.
- With »Re-Charge«, the Mercedes-Benz Group aims to retain skilled workers within the company and selectively recruit new talents as an attractive

employer by offering modern and flexible working conditions and an inclusive and trusting corporate culture.

In 2025, the sustainable HR strategy will focus on the strategic pillar »Re-Shape«. The focus is on streamlining the organization on the basis of new products, technologies and fields of expertise - while at the same time ensuring a socially responsible transformation.

As part of the »Next Level Performance« program, the company and the General Works Council have jointly agreed on an extensive set of measures in March 2025 related to personnel costs and flexibility in Germany to strengthen competitiveness.

## Own Workforce – Our »Sustainable People Plan«

In this context, the company and the General Works Council have also agreed to extend the current job guarantee until the end of 2034 ("ZuSi 2035").

Part of the package of measures is also a severance program for employees in indirect areas - i.e. not in production. The program will be conducted fairly and in accordance with socially responsible principles. There will be no terminations due to operational reasons. Both parties have a veto ("bilateral voluntariness principle"). The package of measures and the job guarantee agreement apply to the Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Intellectual Property GmbH & Co. KG in Germany. Already at the end of 2024, it was decided not to increase the basic remuneration of the Board of

Management, senior executives and team leaders, who are not covered by the collective agreement, for the year 2025. With the savings and flexibilisation measures, the Mercedes-Benz team is making an important contribution towards strengthening the company's competitiveness – and thus to job security in Germany.

At the same time, Mercedes-Benz continues to invest in the future-readiness and qualifications of employees with the strategic pillar »Re-Skill«. Initiatives such as Turn2Learn specifically promote the further development of skills and enable future-oriented personal development. In total, Mercedes-Benz employees worldwide completed more than 2.5 million hours of professional

and personal training in 2024. In 2024, the thematic priorities included above all qualifications in generative artificial intelligence, IT and digitalisation, and electromobility.

In addition, with »Re-Charge«, the company is focusing on a modern, motivating working environment in which employees can develop in the best possible way. Mercedes-Benz remains committed to creating a safe, welcoming, and inclusive work environment.

Further details can be found in the [🔗 Mercedes-Benz Group Annual Report 2024 with integrated Sustainability Report](#) and on the [🔗 corporate website](#).

# Workers in the value chain - Protecting and promoting human and employee rights along the entire value chain

Respect for human rights is of central importance to the Mercedes-Benz Group and therefore constitutes one of the six sustainability focus areas. The Group is committed to protect and promote human and employee rights along the entire value chain. This also applies to all employees<sup>1</sup> along the complex supply chains.

In its [Principles of Social Responsibility and Human Rights](#), among other things, the Mercedes-Benz Group emphasizes how important the protection of human rights and good working conditions are for the Group. The principles describe the process for implementing human rights due diligence obligations and lists the human rights risks relevant to the Mercedes-Benz Group.

With the expansion of electromobility in particular, the protection of workers in the upstream value chain is increasingly coming into focus. The production of battery cells requires an increased demand of certain raw materials, particularly lithium and cobalt. These often come from countries with a potentially increased risk of human rights violations and negative impacts on working conditions and employee rights.

The Mercedes-Benz Group is committed to the responsible procurement of production and non-production materials and services. All products should only contain raw materials and materials that have been mined and produced in compliance with human rights, employee rights and environmental standards. The Group already takes this principle into account

in the purchasing process. Supplier Compliance Risk Management (SCRM) defines mandatory requirements for compliance with human rights due diligence within external procurement processes. In addition, the Group formulates minimum requirements and expectations for its suppliers, which are set out in the [Responsible Sourcing Standards](#) (RSS).

They define minimum requirements and expectations for Tier-1-suppliers and contractually oblige them to comply with the requirements, to communicate them to their employees and upstream value chain stages and to monitor compliance in their business processes and sphere of influence. As a central contractual document for minimum and sustainability requirements, they are used internationally.

<sup>1</sup> This also includes workers who work at the Group's site but are not part of the Group's workforce, workers who work in the upstream value chain and workers who work in the operations of a joint venture or special purpose entity in which the Mercedes-Benz Group is involved.

# Workers in the value chain - Protecting and promoting human and employee rights along the entire value chain

The Mercedes-Benz Group has established a risk-based approach to upholding human rights due diligence, called the [🔗 Human Rights Respect System \(HRRS\)](#). The Mercedes-Benz Group uses the HRRS to carry out systematic and risk-based checks of whether human rights are being respected in the value chain.

Accordingly, the Group pursues a variety of actions to prevent potentially negative impacts on human rights worldwide within its business activities and towards its partners and suppliers, to end them wherever possible or to mitigate them.

In order to examine further risks in procurement that go beyond Tier 1 suppliers, the Mercedes-Benz Group first analysed the raw materials present in a Mercedes-Benz vehicle and prioritized

them based on various factors. The Group plans to gradually examine the 24 critical raw materials identified in more detail by the year 2028 and define appropriate actions. In the year 2024, the Mercedes-Benz Group was able to complete 65% of the process for reviewing all 24 critical raw materials, thereby achieving its target for the year. By the end of 2025, 70% of all production raw materials used by the Mercedes-Benz Group with an increased risk of human rights violations are to be reviewed and necessary preventive measures defined.

Further information on the review of individual raw materials, identified risks, involvement of stakeholders and actions initiated can be found in the [🔗 Raw Materials Report](#).

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# Political influence and the representation of interests

The focus of the Mercedes-Benz Group's climate policy is on reducing and avoiding CO<sub>2</sub> emissions. However, according to the Intergovernmental Panel on Climate Change (IPCC), global climate protection targets cannot be achieved through reduction measures alone. In addition, other technologies like CO<sub>2</sub> removal projects are seen as future technologies to further decarbonise. The Mercedes-Benz Group thus supports the efforts of policymakers to protect the climate and is making its contribution to reduce CO<sub>2</sub> emissions as part of its sustainable business strategy. At the same time, the Group is convinced that the climate protection targets can only be achieved through collective action and dialogue based on partnership between politics, business, and civil society. As a

company, Mercedes-Benz operates within the framework of the rules set by politics. In order to achieve the climate targets, it is therefore also up to the policymakers to set framework conditions, such as a capable charging infrastructure and increased use of renewable energies. In the view of Mercedes-Benz, the decarbonisation of the entire transport sector and its transformation can be advanced via three main regulatory instruments:

- CO<sub>2</sub> targets for new vehicle fleets, supported by enabling conditions,
- increasing quotas for the share of renewable energies,
- establishment of CO<sub>2</sub> pricing mechanisms.

The worldwide transition requires more than just offering all-electric vehicles. Mercedes-Benz advocates for effective political framework conditions with which the transformation can be successfully implemented.

## **Publicly accessible charging infrastructure**

A central element of the market ramp-up of electric vehicles is the further expansion of a comprehensive, publicly accessible charging infrastructure at affordable prices powered by green energy for customers. This is the only way to make the electric mobility ecosystem attractive for users.

# Political influence and the representation of interests

## Financial support for battery-electric vehicles

Financial support for the acquisition of a new technology has a positive effect on the purchase decisions of customers. In order to accelerate the ramp-up of electric mobility, battery-electric vehicles should continue to be promoted for the foreseeable future in terms of purchase and use phase compared to conventional operated vehicles. It is important to give planning certainty for customers in order to ensure the widest possible acceptance for electric cars. Support programs for the automotive industry should be clearly defined for a multi-annual period and not only boosting for short-term since it is proving uncertainty for both customer and manufacturer.

## A regulatory multi-technology approach is necessary to deal with different speeds of the transformation in different markets, this includes in particular plug-in hybrid vehicles

Mercedes-Benz sees plug-in hybrids as an important bridging technology for strengthening confidence in electric mobility. As a rule, a plug-in hybrid drives partially on electric power, unlike a comparable conventional vehicle. As the electric range increases with the use of larger plug-in batteries in the latest vehicles, the electric driving increases as well.

If the market, the enabling conditions and customer demand remain stagnating, the transformation will take longer than expected. As the transformation in various key markets

might last longer, all technologies contributing to decarbonisation are necessary. Rather than a tight framework limiting the technology that can be made available to our European customers we need to be open to various technological solutions – like in Japan, several US-states and China. Although China is having a robust BEV ramp-up over the recent years, the regulatory framework is also granting market access for multi-decarbonisation technologies. This multi-technology approach gives the opportunity to provide the customer with a variety of hybrid products.

Further details can be found in the [Mercedes-Benz Group Climate Policy Report](#) and on the [corporate website](#).

# Affected Communities – Protecting local communities and indigenous peoples

The Mercedes-Benz Group strives to combine economic success with responsible action towards the environment, people and society. For the Group, respect for human rights is a central component of responsible corporate governance and an elementary focus area of its sustainable business strategy. The protection of local communities and indigenous peoples is of great importance to the Mercedes-Benz Group.

The commitment is to protect and promote human rights along the entire value chain. This also addresses the rights of members of local communities and indigenous peoples who may be affected by business activities at supply chain locations and by local impacts of corporate activities.

The protection of the affected communities is also increasingly coming into focus due to the expansion of electromobility. The mining and processing of battery raw materials often takes place in regions where there is a potential risk of negative impacts on affected communities.

The basis for respecting the rights of affected communities and indigenous peoples is made up of internationally recognized standards, the Mercedes-Benz Group's [🔗 Principles of Social Responsibility and Human Rights](#) and the [🔗 Responsible Sourcing Standards](#) (RSS).

Mercedes-Benz Group works with various stakeholders such as human rights organizations, non-governmental organizations, trade unions, universities,

municipalities and community representatives. The Mercedes-Benz Group uses these consultations to review the most important risks and the appropriateness of the remediation to be taken.

The Mercedes-Benz Group is also involved in various industry and trade associations as well as initiatives and networks that address the issues of sustainability and human rights in the supply chain. These memberships help the Group to make complex supply chains more responsible through joint actions with regard to the human rights of workers and affected communities.

# Affected Communities – Protecting local communities and indigenous peoples

Mercedes-Benz Group addresses challenges associated with battery raw material extraction among others through various corporate citizenship activities in the supply chain with a focus on preventing child labour and other severe human rights risks by tackling some of its root causes (e.g. extreme poverty, lack of community protection system, limited alternative livelihood opportunities, etc.). For this purpose, the company cooperates, for example, with non-governmental organisations (NGOs) such as [Bon Pasteur](#) in the Democratic Republic of Congo – focussing on the cobalt mining region – and second with [Terre des Hommes](#) in India. The focus there is on the Mica mines in Jharkhand. The aim of both

cooperations is to support the people of the local mining communities with alternative income opportunities – for example in (sustainable) agriculture. The projects focus on creating educational opportunities and improved learning conditions. For example, community members are informed about their rights and, in particular, the rights of children. This is intended to strengthen respect for human rights in the local population as a whole. The Terre des Hommes project in particular places greater emphasis on the representation of interests at local and national levels and the involvement of the private sector in order to influence the political discourse on the issue of child labour.

The [Corridor initiative](#) reflects the company's commitment to a Just Transition. The goal of the initiative is to engage local communities along the aluminium supply chain in Brazil and empower them to improve their economic, ecological, and social well-being. Mercedes-Benz is part of the program's governance, helping to establish necessary structures and build knowledge for sustainable risk management in raw material supply chains.

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