

DAIMLER

# SpurWechsel We are changing lanes

Green Finance Framework



# Disclaimer

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates and tariff regulations; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending government investigations or of investigations requested by governments and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading “Risk and Opportunity Report” in the current Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

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# **Sustainable business strategy**





# SpurWechsel

## We are changing lanes

**Moving people and goods all over the world - safely, efficiently, comfortably and with innovative technologies** that's our purpose, the basis of our strategy.

**MOVE – reinvent the invention, PERFORM – create sustainable value, TRANSFORM – reinvent ourselves** that's our group strategy.

**Integrating our sustainability goals into our business strategy** that's our sustainable business strategy.

**Transforming our business as defined by the 6+3 sustainability topics** that's our SpurWechsel.





Our purpose  
**Guiding all of our decisions and actions**

Mercedes-Benz Cars

First Move the World

Daimler Trucks & Buses

Daimler Mobility

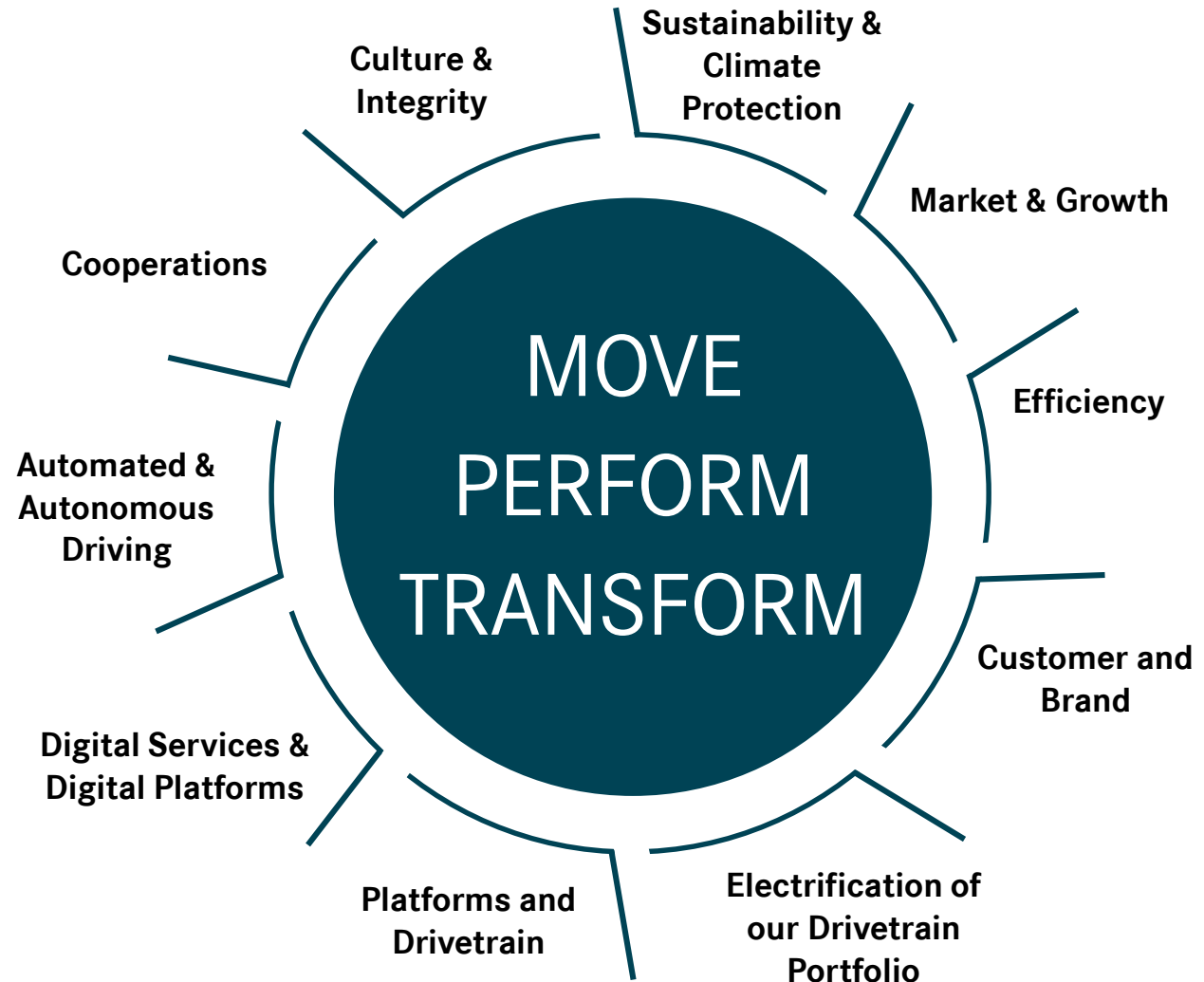
**FOR ALL  
WHO KEEP THE WORLD  
MOVING**

**WE  
MO>E  
YOU**



# Our group strategy

## Sustainability as an integral part...



# ... with a focus on six themes and three enablers





# On the road to CO<sub>2</sub>-neutral mobility



# CO2 neutrality at Mercedes-Benz Cars Ambition 2039

--- **2022** ---

We intend to offer several electric model variants in all segments of Mercedes-Benz Cars by 2022.

--- **2025** ---

Depending on how conditions develop, we plan to have all-electric vehicles account for up to 25 percent of unit sales by the year 2025.

--- **2030** ---

Our goal is to have plug-in hybrids or all-electric vehicles account for more than 50 percent of our car sales by 2030.

--- **2039**

We aim to achieve CO2 neutrality for our new passenger car fleet by 2039.



Verified by the  
Science Based Targets  
Initiative (SBTI) in  
2019

EQC 400



4MATIC

Mercedes-Benz EQC 400 4MATIC: combined power consumption: 20.8-19.7 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km\*

\*Electrical energy consumption and range have been determined on the basis of Regulation (EC) No. 692/2008. Electrical energy consumption and range depend on the vehicle configuration.



# Daimler Trucks & Buses

## Making CO2-neutral transport a reality

**2022**

Battery-electric series-production vehicles in all core regions by 2022.

**late 2020s**

Hydrogen-based series-production vehicles in the second half of the decade.

**2039**

CO2-neutral driving operation (tank-to-wheel) by 2039 for new trucks and buses in the markets of Europe, Japan, and North America.





Driven by a continuous electrification of our product portfolio...

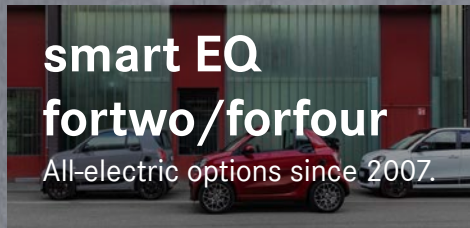
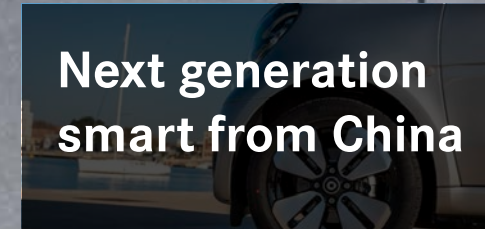
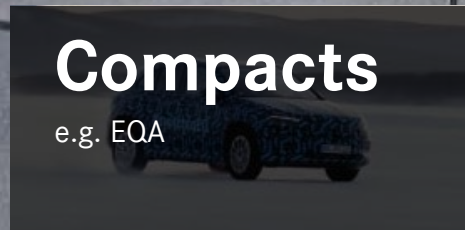
**2019**

**2020**

**2021**

**2022**

*Stay tuned for more*



**~2%**

**~9%**

**~15%**

*Mercedes-Benz Cars xEV-share \**

\* PHEV, BEV



# ... and our aim to achieve CO<sub>2</sub>-neutral production

By **2022:** CO<sub>2</sub>-neutral production at our Mercedes-Benz Car and Van plants worldwide\*

By **2022:** CO<sub>2</sub>-neutral production at our European plants of Daimler Trucks & Buses\*

By **2030:** Fifty percent CO<sub>2</sub> emissions reductions from production operations 

By **2039:** CO<sub>2</sub>-neutral production at all of our plants and in all of our business units worldwide

“Factory 56” in Sindelfingen

\* In Germany, the green power supply is ensured not only for the production sites: starting in 2022, all German locations of Daimler AG, Mercedes-Benz AG, Daimler Trucks AG and Daimler Mobility AG will obtain green power generated entirely from renewable energy sources, making it free of CO<sub>2</sub>.

# Committed investments as part of our electrification strategy

**€10 bn**

About €10 billion to expand our fleet of electric vehicles.

**€1 bn**

More than €1 billion to expand our battery production.

**€20 bn**

Buying battery cells for more than €20 billion in order to systematically promote our Group's entry into an electrically driven future.





# Electric first: Modular BEV-architecture for zero emission vehicles

## Description

Development of a flexibly scalable electrical architecture for Mercedes-Benz compact cars up to luxury cars. Suitable for a wide range of vehicle concepts thanks to the modular system design and variable wheelbase, wheel gauge as well as all other system components, especially the batteries.

## Goals

Development and production of zero emission vehicles



Development of a flexibly scalable electrical architecture\*



Partially equipped with battery cells from CO2-neutral production\*



## Timeline



## Key Facts

Modular BEV-architecture | Modular system design | Wide range of vehicle concepts | Zero emission vehicles

## Investment

**~€10 bn**

\* for next generation EQ starting with the EQS



# Factory 56: One of the world's most modern car productions

## Description

Factory 56, one of the world's most modern car productions, built at Daimler's Sindelfingen plant. The factory will be supplied with CO<sub>2</sub>-neutral energy when it goes into operation, is equipped with a photovoltaic system installed on the roof of the production hall and has implemented numerous measures to reduce energy consumption. It uses intelligent and digitalised technologies that make it possible to harness the full potential of Industry 4.0.

## Goals

CO<sub>2</sub> neutral energy supply



High-efficiency assembly for large-scale production and increased flexibility



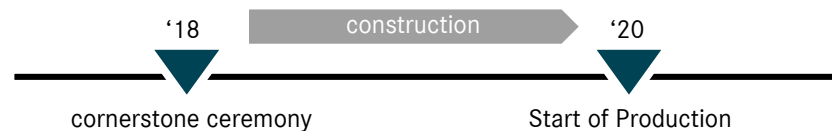
Waste management



Reduction of energy and other resources, including water

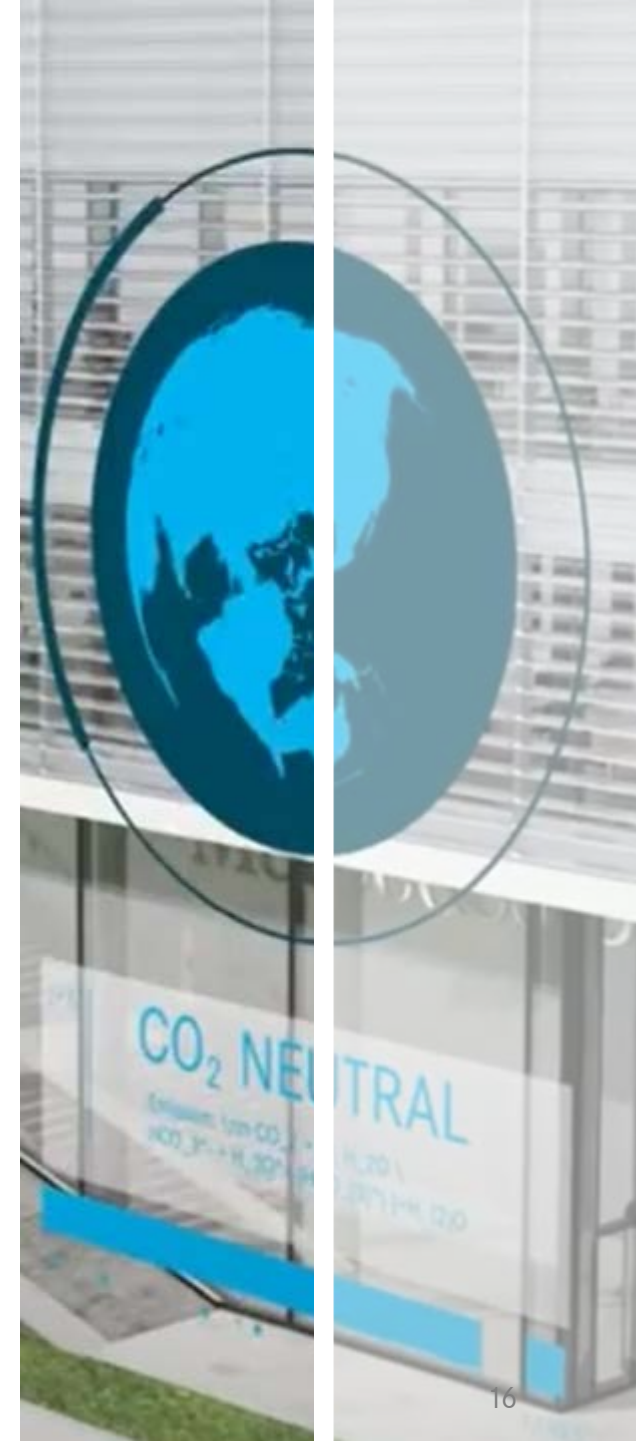


## Timeline



## Key Facts

High energy efficiency | Green roof | Usage of recycled concrete | Intelligent LED light control system | DC grid | area measures 220,000 m<sup>2</sup>





# Battery production network: Nine factories at seven locations on three continents

## Description

Daimler is investing more than one billion euros in a global battery production network within the global production network of Mercedes-Benz Cars. In total, the battery production network consists of nine factories at seven locations on three continents. The local production of batteries is an important success factor in Mercedes-Benz Cars electric offensive and the crucial building block for handling the global demand for electric vehicles flexibly and efficiently.

## Goals

Production of electricity from renewable sources



Production of heat from renewable sources (Kamenz, Jawor)



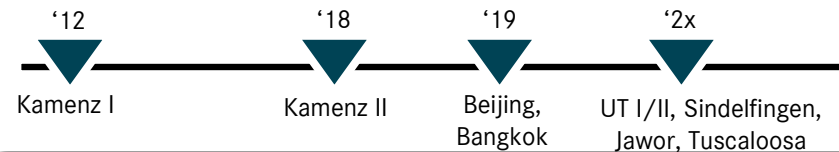
Development, production and recycling of batteries



Development and production of zero emission vehicles



## Timeline

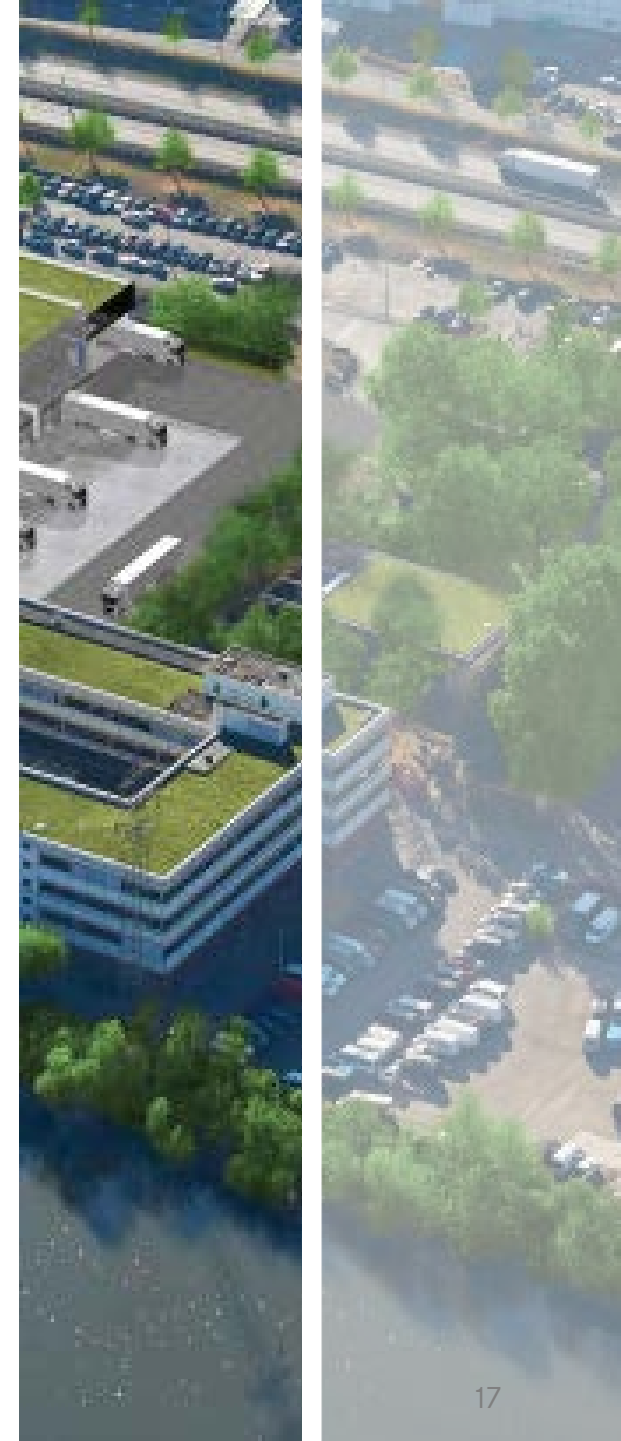


## Key Facts

9 factories | 7 locations | 3 continents | Industry 4.0 technologies | CO2 neutral production (Kamenz, Jawor already before 2022) | Batteries for 48V, PHEV and BEV

## Investment

>€1 bn



# Green finance framework

Clean  
Transportation



Energy  
Efficiency



Pollution prevention  
and control



Renewable  
Energy



# Daimler's green finance framework is part of our SpurWechsel – We are changing lanes



Use of proceeds



Project  
evaluation and  
selection



Management of  
proceeds



Reporting








External review

*Daimler's green finance framework is developed to be in line with both the ICMA Green Bond Principles, as well as LMA and APLMA Green Loan Principles. It is Daimler's intention to follow best practises as market standards develop and as the EU Taxonomy and the EU Green Bond Standard enter into force*







# More than 50% of proceeds will be allocated to clean transportation (1/2)

GBP & GLP Categories	Eligible assets	Targeted SDGs	Targeted EU Environmental Objectives	Investment Examples
Clean transportation	<ul style="list-style-type: none"> <li>Development and production of zero emission vehicles</li> <li>Development, production and recycling of batteries/fuel cells</li> </ul>	  	Climate change mitigation	<ul style="list-style-type: none"> <li>Modular <b>BEV-architecture</b></li> <li>Volvo Group &amp; Daimler Truck AG: 50/50 joint venture for development and large-scale production of <b>fuel cells</b> for applications in heavy-duty vehicles</li> <li>Battery-electric low-floor truck Mercedes-Benz <b>eEconic</b> (practical use to start in 2021, SoP 2022)</li> <li>Mercedes-Benz <b>eCitaro</b> from 2022 with range extension by fuel cell</li> <li><b>Battery production network</b></li> <li><b>CO2 neutral produced battery cells</b> from Farasis Energy Co., Ltd.</li> </ul>
Energy efficiency	<ul style="list-style-type: none"> <li>Reduction of energy and other resources, including water, used per unit of output</li> </ul>	 	Climate change mitigation	<ul style="list-style-type: none"> <li><b>Factory 56</b> (high energy efficiency, digitalisation in production, dc grid)</li> <li><b>Renewal</b> of the <b>ventilation systems</b> in production plants</li> <li><b>Renewal of lighting</b> in production plants with LED-systems</li> </ul>



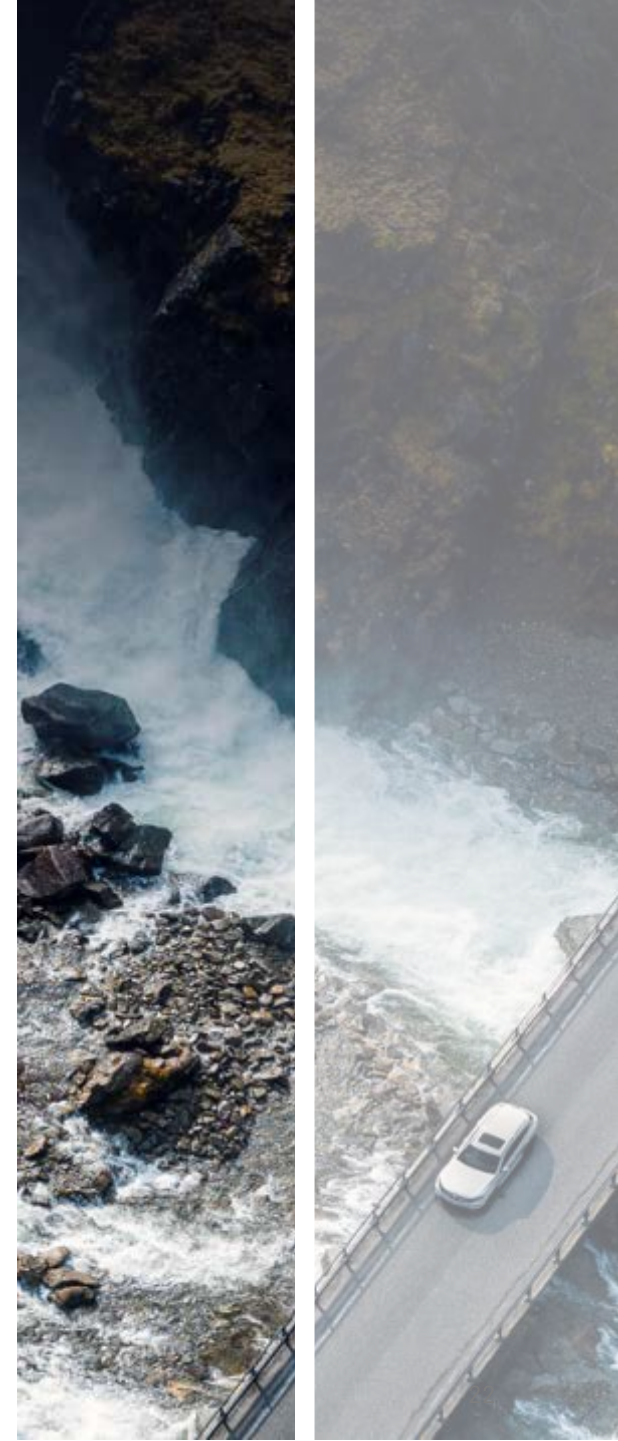
# More than 50% of proceeds will be allocated to clean transportation (2/2)

GBP & GLP Categories	Eligible assets	Targeted SDGs	Targeted EU Environmental Objectives	Investment Examples
Pollution prevention and control	<ul style="list-style-type: none"> <li>Waste management</li> <li>Emission reduction</li> </ul>	  	Pollution prevention and control	<ul style="list-style-type: none"> <li><b>Factory 56</b> (waste management)</li> <li><b>CO2 neutral production</b> by 2022 (MB AG plants worldwide, DT AG European)</li> <li><b>Remanufacturing</b> of high-voltage batteries</li> <li>Mercedes-Benz Energy and Beijing Electric Vehicle Co., Ltd. (BJEV) subsidiary of the BAIC Group cooperation in the field of <b>2nd-life energy storage systems</b></li> </ul>
Renewable energy	<ul style="list-style-type: none"> <li>Production of electricity and heat from renewable sources</li> </ul>		Climate change mitigation	<ul style="list-style-type: none"> <li>Rolls-Royce &amp; Daimler Truck AG: cooperation on <b>stationary fuel cell systems</b></li> <li>Installation of further <b>photovoltaic systems</b> for own power generation at several locations in Germany in 2021</li> </ul>

# -💡- Project evaluation and selection

A **Green Finance Committee**, mandated by the Group Sustainability Board comprising four permanent members from the Board of Management and top management representatives, will review and verify potential Green Assets

Comprised by **representatives** from: Sustainability Competence Office (Corporate Responsibility Management, Sustainability/Group Environmental Protection & Energy Management), Finance and Controlling







# Management of proceeds

Proceeds will be **allocated to projects approved by the Green Finance Committee**

Proceeds will be allocated **within one year**

Proceeds will be allocated to **eligible green assets originating no more than three years prior to the date of issuance**

Prior to disbursement, proceeds will be placed according to Daimler's general liquidity guidelines



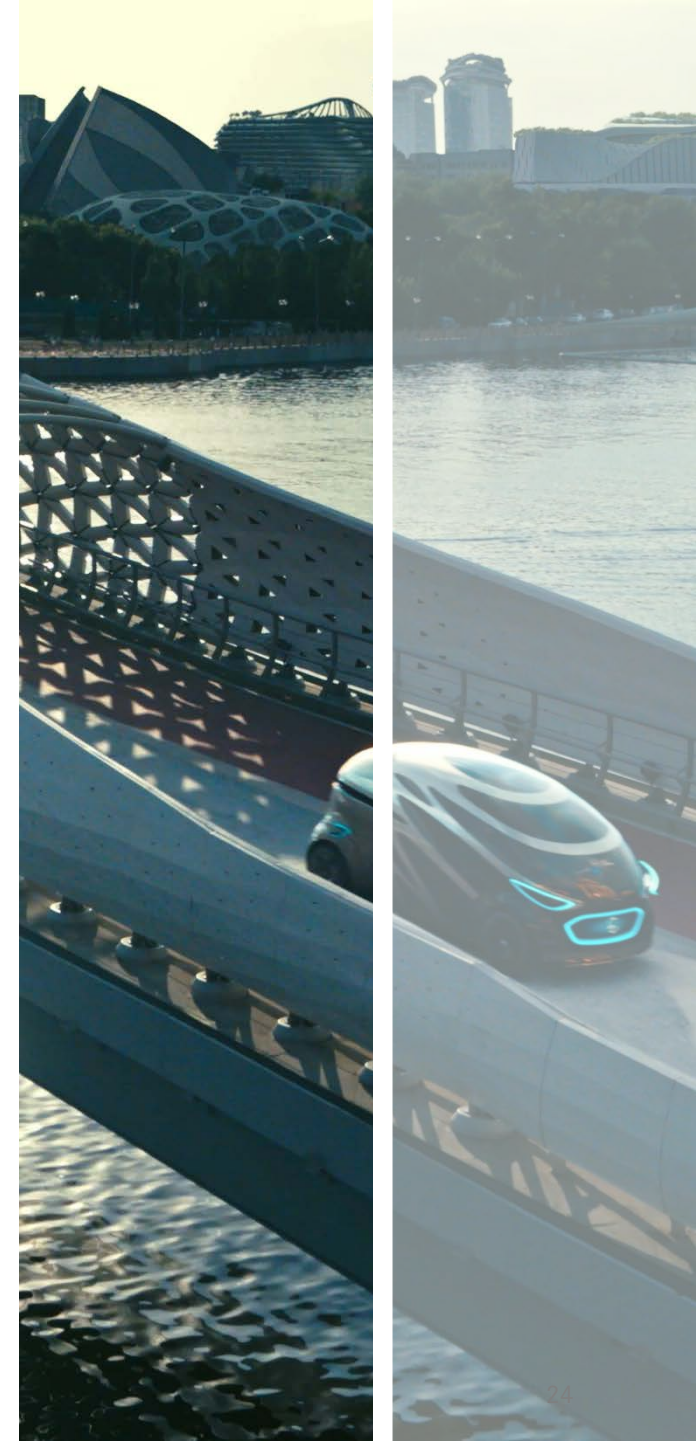
# Reporting

Daimler is firmly committed to **transparency** and will produce an **annual Green Finance Investor Report**

Allocation **reporting will**, to the extent feasible, **consist of**

- A description of the portfolio
- Type of financing and respective amounts
- The split between new financing and re-financing
- A list of eligible assets including amounts allocated and disbursed per category and geographical distribution

**Impact reporting** will, to the extent feasible, report quantitative impact indicators e.g. CO<sub>2</sub> emissions avoided in the vehicle use phase





# Second Opinion by leading provider of independent reviews of green bonds



**CICERO**  
Shades of  
Green

## SHADES OF GREEN

Daimler's green finance framework was rated by **CICERO** as **Dark Green**. Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future.



**CICERO**  
Dark Green



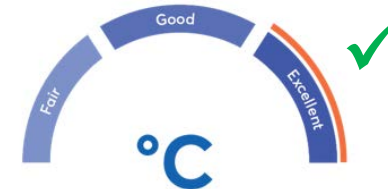
**CICERO**  
Medium Green



**CICERO**  
Light Green

## GOVERNANCE PROCEDURES

CICERO Shades of Green finds the governance procedures in Daimler's framework to be **Excellent**.



## GREEN BOND and GREEN LOAN PRINCIPLES

CICERO confirms that Daimler's green finance framework is found **in alignment** with the green bond and green loans principles.

Green Loan Principles  
Supporting environmentally sustainable economic activity



CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green finance investments. CICERO Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008.

# Respecting and upholding human rights

human rights

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to

...but there is abundant evidence  
in most cases, and civilian rights  
ample experience in providing security  
ists. The point that must be made  
General Law is that it is necessary  
decision to try those who are  
...to the



# We are committed to upholding human rights in our supply chain

2021

**100%**

Our objective with regard to our service supply chain is to complete our evaluations of new and existing suppliers by 2021.

2025

**70%**

Our objective is to review 70 percent of all high-risk production raw materials and define any necessary measures for these by 2025.

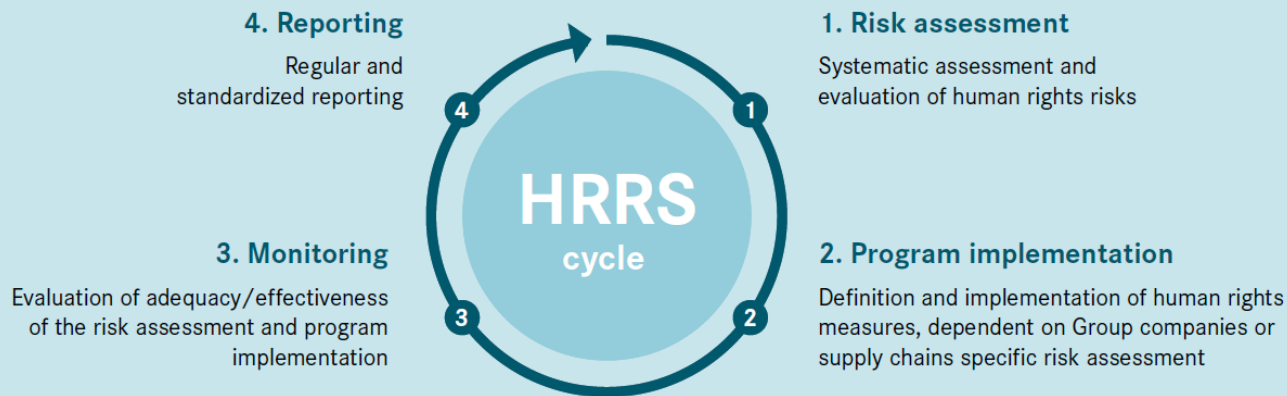
2028

**100%**

Our objective for 2028 is to define measures for addressing 100 percent of our production raw materials that harbor a higher risk of human rights violations.

## Systematically addressing human rights

The Daimler Human Rights Respect System



Daimler performed a total of **1,127** CSR audits at suppliers around the globe in 2019. These audits also focused on human rights issues.



# Supply chain: CO2 neutral battery cells and observance of human rights

## Description

The sustainability partnership with Farasis Energy (Ganzhou) Co., Ltd. comprises the production of battery cells produced with electricity from renewable energies as well as recycling and the observance of human rights in the supply chain.

## Goals

Realization of CO2 neutrality in supply chain



CO2 footprint of the battery of future vehicle models of the EQ brand to be reduced by more than 30 percent



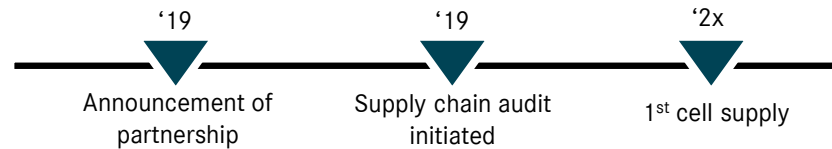
Observance and protection of human rights along the supply chain including third-party audit



Continuously increasing the input of recycled/secondary materials into our lithium-ion batteries



## Timeline



## Key Facts

>30% CO2 savings of entire battery | third-party audit company assigned to inspect the entire cobalt supply chain and in particular the smelters | development of innovative recycling concepts that allow high-quality recycling of the valuable components or contents



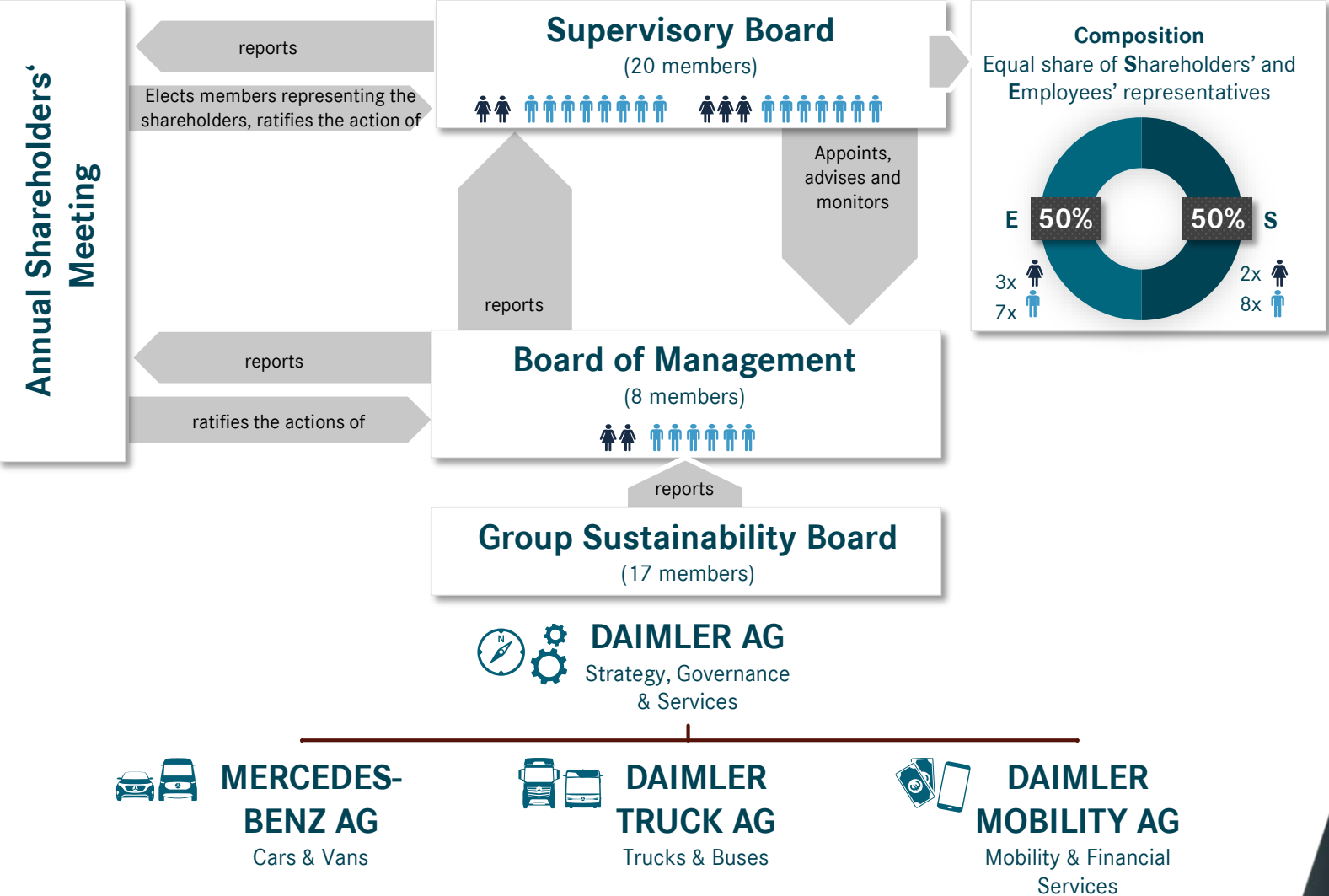


# Managing the Group sustainably



# Our group & governance structure

## Basis of a sustainable governance...





# ...with clear lines of responsibility in all business divisions

## Board of Management (BoM)

▲ REPORT ON PROGRESS

### Group Sustainability Board (GSB)

Chair: BoM member for Group Research and Mercedes-Benz Cars Chief Operating Officer  
& BoM member for Integrity and Legal Affairs

+ Additionally 2 permanent members from BoM

Management  
compensation is  
linked to non-financial  
& sustainability targets.



**MERCEDES-  
BENZ AG**



**DAIMLER  
TRUCK AG**



**DAIMLER  
MOBILITY AG**



**DAIMLER AG**  
Central Functions

Coordinates

#### Divisional Strategy Leaders

Coordinates



Group Strategy, Communication, External Affairs,  
Human Resources, Investor Relations, Accounting & Financial Reporting

Coordinates

▼ FEEDBACK & ORIENTATION

▲ REPORT ON PROGRESS

#### Business units & functions

Coordinates

#### Sustainability Competence Office (SCO)

Group Research,  
Sustainability &  
RD Functions

+

Integrity & Corporate  
Responsibility Management

# Our strategy is guided by international framework agreements,...

DAIMLER

The ten principles of the **UN Global Compact** provide a fundamental guide for our business operations.

Our **internal principles and policies** are founded on this international frame of reference and other international principles.

Our goal in this process is to support the **UN Sustainable Development Goals** with our work processes and to cooperatively develop approaches to solutions.





# ... our corporate principles and integrity

## Doing the right thing by living our values

We adhere to **internal and external rules**, we act according to our **corporate principles** and we listen to our **inner compass**.

We have incorporated integrity-related issues in our **culture** and our **compliance management system**. Our performance is measured by the **integrity indicator** which is part of the non-financial management compensation.

### Our five corporate principles:

the foundation of all our actions



We are profitable and are committed to people and the environment



We act responsibly and respect the rules



We address issues openly and stand for transparency



Fairness and respect are the foundation of our collaboration



We practice diversity

Our web-based training modules on integrity & compliance are mandatory and have to be performed successfully on a regular basis.

# Integrity Code

## Our overall legal and ethical framework



Concretize **UNDERSTANDING** of Integrity@Daimler



Legal and ethical **FRAMEWORK** for all entities at Daimler



Coverage of **FUTURE STRATEGIC TOPICS**



Strengthen **AWARENESS** and underline **IMPORTANCE** for the topic of **INTEGRITY**

<https://www.daimler.com/documents/sustainability/integrity/daimler-integritycode.pdf>

DAIMLER

Our Integrity Code  
Doing the Right Thing

In addition to the Integrity Code, the Technical Integrity commitment statements support **R&D** employees and offer them guidance for ensuring proper conduct in their daily activities.



# Key Messages

Daimler articulates its sustainability business strategy through its funding by launching a **Green Finance Framework**.

The Green Finance Framework is in line with the **ICMA Green Bond Principles** as well as the **LMA and APLMA Green Loan Principles**.

**Cicero** has provided a **Second Party Opinion** with a **Dark Green** shading and graded the **governance procedures** as **Excellent**.

Daimler is **committed to a decarbonization strategy** across its entire business with an **aim to achieve CO2 neutrality**.

Daimler has **committed investments into electrification** of more than €30bn.

The **Green Finance** initiative is a **key pillar of Daimler's "SpurWechsel – We are changing lanes"** transition.

