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Introduction

Daimler AG is one of the world's most successful automotive companies. With its Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility divisions, the Group is one of the leading global suppliers of premium cars and one of the world's largest manufacturers of commercial vehicles. Daimler Mobility offers financing, leasing, fleet management, investments, credit card and insurance brokerage as well as innovative mobility services.

The company founders, Gottlieb Daimler and Carl Benz, made history by inventing the automobile in 1886. As a pioneer of automotive engineering, Daimler sees shaping the future of mobility in a safe and sustainable way as both a motivation and obligation. The company's focus therefore remains on innovative and green technologies, as well as on safe and superior vehicles that both captivate and inspire. Daimler continues to invest systematically in the development of efficient powertrains – from high-tech combustion engines and hybrid vehicles to all-electric powertrains with battery or fuel cell – with the goal of making locally emission-free driving possible in the long term. The company's efforts are also focused on the intelligent connectivity of its vehicles, autonomous driving and new mobility concepts. Daimler regards it as its aspiration and obligation to live up to its responsibility to society and the environment.

Daimler sells its vehicles and services in nearly every country of the world and has production facilities in Europe, North, and South America, Asia and Africa. In addition to Mercedes-Benz, the world’s most valuable premium automotive brand (source: Interbrand study, 17 Oct. 2019), and Mercedes-AMG, Mercedes-Maybach, and Mercedes me, its brand portfolio includes smart, EQ, Freightliner, Western Star, BharatBenz, FUSO, Setra and Thomas Built Buses as well as the brands of Daimler Mobility: Mercedes-Benz Bank, Mercedes-Benz Financial Services and Daimler Truck Financial. The company is listed on the Frankfurt and Stuttgart stock exchanges (ticker symbol DAI). In 2019, the Group had a workforce of around 298,700 and sold 3.3 million vehicles. Group revenues amounted to €172.7 billion and Group EBIT to €4.3 billion.

Strategic Approach to Corporate Sustainability

Daimler strives to make sustainability an integral component of the company’s core business and its conduct in general. The foundation for the company's approach here is the Daimler sustainable business strategy, demonstrating the company’s commitment to sustainable business operations at both the Group level and within the individual business divisions. With this strategy, Daimler assumes responsibility for the economic, ecological, and social impact of its business activities, not only at its manufacturing locations but also with respect to the entire upstream and downstream value chain.

Daimler is committed to the principles of sustainability and in particular of climate protection, and is therefore setting its course for CO2-neutral mobility. Daimler’s goal is to set standards for sustainable mobility – both now and in the future. In line with its sustainable business strategy, Daimler is focusing on the environmental, social, and governance aspects of its work, and in doing so Daimler is reinforcing its role as a successful driver of innovation within its sector.

Daimler’s sustainable business strategy supports the implementation of the Sustainable Development Goals (SDGs) – as defined by the United Nations. Although the SDGs primarily target governments and countries, the success of these goals is greatly dependent on businesses due to their innovative spirit and investment capabilities. Daimler’s sustainable business strategy has been closely formulated around the themes of the UN’s 17 SDGs. Daimler focused on the SDGs that are significantly influenced by its business
model and value chain — areas where the company can contribute the most for bringing about change. This principally consists of the following SDGs and their associated sustainability activities:

![SDG icons](image)

**SDG 8 Decent Work and Economic Growth:** Daimler 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.

**SDG 9 Industry, Innovation and Infrastructure:** Daimler is shaping the sustainable mobility of the future by connecting the CASE areas: Connected, Autonomous, Shared & Services, and Electric. Through the expected benefits of this process, for example in the areas of safety and climate protection, Daimler is demonstrating the potential of digital innovations for our society.

**SDG 11 Sustainable Cities and Communities:** Daimler is promoting sustainable mobility in metropolitan regions through its offers such as electrified city buses and trucks, carsharing, ride hailing, and the multimodal linking of mobility services.

**SDG 12 Responsible Consumption and Production:** Daimler 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, Daimler 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, Daimler is contributing to global climate protection.

Daimler’s path to emission-free mobility is clearly defined in all business divisions: One component of the company’s approach involves reducing the CO₂ emissions of its vehicles along the entire value chain.

In the “Ambition 2039” the company has set itself the target of making its fleet of new passenger cars CO₂-neutral over the vehicles’ entire life cycle by 2039.

Daimler Trucks & Buses aims to only offer new vehicles that are CO₂-neutral in driving operation (“tank-to-wheel”) within the triad markets of Europe, Japan, and North America by 2039.

Mercedes-Benz Vans is following the Mercedes-Benz Car strategy for its private use vans and the strategy of Daimler Trucks & Buses for its commercial-vehicle vans.

Further information regarding the Company and its sustainability activities is available at

[https://www.daimler.com/sustainability/](https://www.daimler.com/sustainability/).
Climate Protection

Sustainability is one of the key elements of Daimler’s sustainable business strategy and at the same time a benchmark for corporate success. The transition to CO₂-neutral mobility is vital for limiting the impact of climate change. Daimler is working hard to make this vision a reality. As such, Daimler has set the goal of making the mobility of the future more sustainable, and is employing a holistic approach in order to achieve this goal.

Within the framework of Daimler’s sustainable business strategy, Daimler has expressed its commitment to the Paris Agreement on climate protection. As part of “Ambition 2039”, Mercedes-Benz is working on offering a CO₂-neutral new passenger car fleet by 2039.

Mercedes-Benz Cars & Vans has had its emissions reduction targets approved by the Science Based Targets initiative (SBTi)¹ as consistent with levels required to meet the goals of the Paris Agreement.

Mercedes-Benz Cars & Vans has set itself the ambitious goal of reducing the greenhouse gas emissions of the new car fleet, during the operating phase, by more than 40 percent by 2030 compared to 2018.

Daimler wants to significantly increase sales of passenger cars equipped with plug-in hybrid and all-electric drive systems. In this connection, the Company wants to electrify the entire portfolio of Mercedes-Benz Cars by 2022, which means that various electric alternatives are to be offered in every segment - from compact cars to SUVs. By the year 2025, Daimler expects all-electric models to account for up to 25 % of sales. By 2030, plug-in hybrids and all-electric models should account for more than 50 % of total sales. At Daimler Trucks & Buses it is planned to have a vehicle portfolio comprising series-produced vehicles with battery-electric drive systems in the main sales regions Europe, the United States, and Japan by 2022.

In addition to reducing the greenhouse gas emissions of the new car fleet, during the operating phase, the direct CO₂ emissions by the plants and energy procurement (Scope 1 and 2) will be halved by 2030, compared to the reference year 2018. Another important milestone: Mercedes-Benz’s own passenger car and van plants worldwide will be CO₂-neutral as early as 2022. This comprises of over 30 car and van plants worldwide. One important component of this is the battery production, which will also be CO₂-neutral worldwide from 2022. New plants are already being planned with this requirement in mind. Factory 56 showcases the direction of future production: the new plant on the Mercedes-Benz site in Sindelfingen in Germany is supplied with CO₂-neutral energy right from the beginning. A photovoltaic system installed on the roof feeds 5000 MWh of self-generated, green energy to the plant each year. The European plants of Daimler Trucks & Buses will also have CO₂-neutral power supplies by 2022. All other plants will follow suit.

Environmentally responsible vehicle development is at the core of Daimler’s Sustainable Business Strategy. Daimler has requirement specifications to define the characteristics and target values that must be achieved for each individual vehicle model as well as the subsequent engine variants. These specifications include requirements concerning fuel consumption and emission limit values for CO₂ and NOx. During the development process, compliance with these specifications is regularly monitored.

Daimler’s commitment to climate protection goes beyond the production of its vehicles. In order to become climate-neutral, Daimler is also focusing on its supply chain. The company strives to reduce the CO₂ emissions due to the production of materials and parts as well as the transportation processes. This includes the use of renewable raw materials and the optimization of logistics routes and transport modes.

¹ The Science Based Targets initiative (SBTi) is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting and independently assesses companies' targets.
emissions that are associated with the procurement of components, raw materials, non-production materials, as well as with logistics.

Air quality

In addition to climate protection, the improvement of inner-city air quality is an important environmental consideration, as road traffic still accounts for a considerable share of nitrogen dioxide pollution (NO₂) in metropolitan areas.

Daimler plans for the new passenger car fleet to no longer have any relevant impact on NO₂ pollutants in urban areas by 2025. Daimler also aims to increase transparency in respect to vehicle related particulate emissions and to forge ahead with the research and development of new measures to reduce these emissions.

Resource conservation

As long as the trend of dynamic economic growth of the world economy continues, global consumption of resources will more than double by 2050, according to statements from the International Resource Panel of the UNEP.

Along with the fuel economy, the key factors that influence environmental compatibility for Daimler, as well as the transportation sector at large, are the consumption of resources used to manufacture vehicles and the environmental impact of such production operations. A strategic corporate objective is to continuously reduce resource consumption and increase the efficiency of resource utilization. To this end, Mercedes-Benz Cars & Vans has set itself the following targets:

- Specific energy consumption (per vehicle): -25% (vans) up to -43% (cars) by 2030 relative to 2013/14
- Specific water consumption (per vehicle): -28% (vans) up to -33% (cars) by 2030 relative to 2013/14
- Specific waste volume (per vehicle): -33% (vans) up to -43% (cars) by 2030 relative to 2013/14

Raw materials that are required for use in Daimler’s vehicles are available in sufficient quantities today. However, Daimler can only safeguard the supply of these materials in the long run if they are extracted and recycled in acceptable amounts and through methods that are both environmentally friendly as well as socially responsible. The company is therefore seeking to establish a closed loop value and supply chain. This objective is also the driving force behind Daimler’s implementation of various measures to lower resource consumption in all areas – from development all the way through to recycling.

In order to evaluate the environmental compatibility of a vehicle, Daimler analyzes the use of resources throughout its entire life cycle. The production of vehicles understandably requires great quantities of materials. Therefore, one of the focal points of Daimler’s development tasks is to keep the demand for natural resources as low as possible. During vehicle development, Daimler also prepares a recycling concept for every one of its Mercedes-Benz car models. This concept includes analyzing the suitability of all the components and materials for the various stages of the recycling process. All Mercedes-Benz car models are 85% recyclable and 95% recoverable. The key aspects of Daimler’s activities in this area are:
The company is actively involved in the research and development of recycling technologies and reuse concepts for high-voltage batteries, and promotes their establishment on the market. One example of how a high-voltage battery can be reused is in stationary energy storage units, or second-life energy storage systems. The reuse of electric vehicle batteries improves the eco-balance and economic efficiency of electric vehicles whilst also contributing to the sustainable energy industry. Energy storage systems can offset fluctuations in electricity production from renewable sources, smooth out load peaks, and serve as backup power sources. The reuse of old vehicle batteries offers a way to operate such storage systems at a low level of resource utilization. Seven such energy storage systems are already operating in Germany.

### Sustainable corporate management in Daimler’s board and executive compensation

Within the framework of the variable remuneration component for board of management members, non-financial goals related to sustainability are defined for the board of management and all management levels. These goals include the further development and perpetuation of Daimler’s corporate value of integrity. The company’s management and organizational structures support this process by establishing clear lines of responsibility in all business divisions. The company’s sustainability objectives, and their management, are part of the corporate governance system and are also included as targets for the executives.

### The Group Sustainability Board (GSB)

The GSB is Daimler’s central management body for all sustainability issues and reports to the board of management. The GSB is headed by the Board of Management member responsible for Integrity and Legal Affairs and the board of management member responsible for Group Research & Mercedes-Benz Cars Development.
Sustainable ratings and initiatives

Daimler holds an ESG Rating from Sustainalytics and ISS oekom ESG, both market-leading providers of ESG Research. In the CDP climate rating, which Daimler has been providing information to for more than 15 years, Daimler is ranked in the leadership group (A-) in 2019.

Daimler is one of the first signatories of the UN Global Compact and part of the LEAD group.

Mercedes-Benz Cars & Vans has had its climate protection objectives scientifically assessed by the Science Based Targets Initiative (SBTi). By way of these targets, the company is supporting the Paris Agreement on Climate Protection.

In 2006, Daimler joined the multi-stakeholder network of the Global Reporting Initiative (GRI), where it initially was an organizational stakeholder. It later became a Gold Community Member and is now a member of the GRI Community. Additional information is available on Daimler’s website (https://www.daimler.com/sustainability/archive-sustainability-reports.html).

Daimler Green Finance Framework

As part of Daimler’s continued commitment to sustainability, a Green Finance Framework (the “Framework”) has been developed. The structure of the Framework is developed to be in line with both the ICMA Green Bond Principles (GBP) 2018, as well as the LMA and APLMA Green Loan Principles (GLP) 2018, 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

It is Daimler’s intention to follow the best practices, in relation to Green Bonds and Loans, as the market standards develop and as the EU classification of environmentally sustainable economic activities (the Taxonomy) and the EU Green Bond Standard enter into force. Therefore, Daimler’s Green Finance Framework may be amended and/or updated to reflect changes in market practice.

Use of Proceeds

Daimler has established this Framework to issue Green Finance Instruments, i.e. Green Bonds, Green Schuldscheine, Green Commercial Papers, and to take up Green Loans, for which the proceeds will be exclusively allocated to finance, in whole or in part, Eligible Assets that directly lead the way into a low-carbon and climate resilient society. Daimler will allocate the net proceeds from Green Financing instruments to assets, capital expenditures and Research & Development.

The proceeds raised from the Green Financing can be applied to:

1. Finance the acquisition, development and construction of new Eligible Assets
2. Finance the renovation, retrofitting and upgrade of existing Eligible Assets and/or
3. Refinance Eligible Assets. Refinancing is defined as the financing of assets that have been taken into operation more than one year before the time of approval by the Green Finance Committee (see next section).

The proceeds raised from the Green Financing will be allocated to four Eligible categories:

1. Clean transportation
2. Energy efficiency
3. Pollution prevention and control
4. Renewable energy

More than 50% of proceeds will be allocated to the category clean transportation.
Table 1. Eligible categories and asset description

<table>
<thead>
<tr>
<th>GBP &amp; GLP Categories</th>
<th>Eligible Assets</th>
<th>Targeted SDGs</th>
<th>Targeted EU Environmental Objectives</th>
</tr>
</thead>
</table>
| Clean transportation  | Development and production of zero emission vehicles such as Battery Electric Vehicles (BEV) and Fuel-Cell Electric Vehicles (FCEV)/hydrogen-powered vehicles as well as development, production and recycling of batteries/fuel cells and related infrastructure throughout the value chain including:  
  ✓ **Research & Development**  
    Research & Development of:  
    - electrified drivetrain systems including sourcing, tooling and testing concepts, products and production processes  
    - charging/supporting infrastructure  
    Design for Environment (DfE) solutions including sourcing, tooling and testing concepts, products and production processes  
  ✓ **Manufacture of Zero Emission Vehicles and its drivetrains**  
    - Upgrading and retrofitting of manufacturing facilities for the purpose of enabling and/or expanding the production of zero emission vehicles.  
    - Construction of new manufacturing facilities used for the production of zero emission vehicles, its drivetrains and/or the production and recycling of batteries/fuel cells.  
  ✓ **Charging/supporting infrastructure**  
    Development and installation of electric charging infrastructure such as charge@home, charge@Daimler, charge@public (e.g. charge@highway (High Power Charging (HPC)) and charge@fleet. |               | Climate change mitigation |
| Energy efficiency     | **Energy and resource efficiency**\(^2\)  
  Reduction of energy from non-fossil sources and reduction of other resources incl. water, used per unit of output compared to the pre-investment situation in:  
  ✓ production processes e.g. welding, as well as in lighting, ventilation, heating/cooling and building insulation  
  ✓ digitalization in production processes. | 11 Sustainable cities and communities | Climate change mitigation |

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\(^2\) Production at Daimler plants in Europe will be CO\(_2\) neutral as of 2022 when 100% of purchased electricity will come from renewable sources. Until then, purchased electricity will not be entirely from renewable sources. Therefore, this criteria does not include purchased electricity.  
The level of energy and resource efficiency gains achieved varies between different processes and facilities. The expected or (when possible) actual efficiency gains achieved will be reported upon and described in the Green Finance Investor Report.
Process for Project Evaluation & Selection

The Project Evaluation and Selection Process ensures that the proceeds of the Daimler Green Financing instruments are allocated to projects 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 Company 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
- Corporate Responsibility Management
- Sustainability, Group Environmental Protection and Energy Management,
- Finance and Controlling of all Daimler Divisions

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 including an assessment of potential lock-in and rebound effects whereby, projects only qualify if there is a high likelihood of positive long-term effects on the environment.
- **Ensuring** that the portfolio of Eligible Assets is aligned with the categories and criteria as specified in the Use of Proceeds section.
- **Replacing** investments that no longer meet the eligibility criteria (e.g. following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.)
- On a best effort basis, **reviewing and updating** the content of the Green Finance Framework and managing any future updates of this document to reflect relevant changes in the Company's
corporate strategy, technology and market developments (e.g. introduction of the EU Green Bonds Standards)

Final project approval or any changes to the portfolio of Eligible Green Assets are done by the Group Sustainability Board.

Management of Proceeds

An amount equal to the net proceeds of Green Financing Instruments will be allocated to new projects and/or the refinancing of existing projects 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 Daimler Green Financing Instruments, the Company has established a Green Financing Register.

The proceeds of each Daimler Green Financing Instrument will be earmarked against the portfolio of Eligible Assets and expenditures identified in the Green Financing Register. At the end of each year, the net proceeds will be reduced by the amounts invested in Eligible Assets within the annual period.

The Company 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 Eligible Assets and expenditures within the portfolio.

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 Daimler's general liquidity guidelines until the allocation to Eligible Assets. Daimler intends to allocate the proceeds of a given Green Finance issuance to Eligible Green Assets originating no more than three years prior to the issuance. The proceeds will be allocated within one year from the date of issuance.

Reporting

To enable investors to follow the progress and to provide insight to prioritised areas, the Company 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.

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 re-financing;
4. Information about how unallocated proceeds, if any, have been held in line with the general liquidity guidelines;
5. A list of Eligible Assets including the amounts allocated, including allocated and disbursed amounts per category and geographical distribution.
Impact Reporting

The Company will strive to report on the environmental impact of Eligible Assets financed by Green Financing Instruments when feasible and subject to data availability. The information may be provided on an aggregated portfolio basis due to confidentiality agreements, competitiveness consideration, or numerous projects limiting the amount of detail that can be made available. The Company 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)\(^3\). Examples of impact indicators and metrics that may be included in the Green Finance Investor Report are:

- Clean transportation: Number of zero-emission vehicles (BEV, FCEV) sold and CO\(_2\) emissions saved in the use phase
- Energy efficiency: Annual CO\(_2\) emissions saved (in tonnes).

The Green Finance Investor Report will be available on Daimler’s webpage.

External Reviews

Second-Party Opinion

The Company will obtain a Second Party Opinion from 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 Daimler’s [website].

External verification

Daimler’s annual reporting will also be subject to external verification by an independent auditor verifying the internal tracking method and the allocation of funds.

The external auditor’s report will be published on Daimler’s website.

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\(^3\) The LCA done according to ISO 14040 and ISO 14044 analyses relevant environmental aspects of a vehicle’s life: from the manufacturing of raw materials to production, the vehicle operation, and the recycling at the end of the vehicle’s life. As well as having every detail documented in-house, the LCAs are checked and confirmed by independent assessors and are publicly available.
Disclaimer

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