Sustainability Report 2021

Mercedes-Benz Group

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Dealing with climate change is one of the greatest challenges in human history. That's why it's best, in this transformation to increased sustainability, that we're no longer discussing the "if" but the "how." In doing so, we shouldn't first think of problems, bans or sacrifices, but rather of the opportunity to keep our planet worthy of habiting and to promote social progress and prosperity.

With that in mind we are using our full strength to drive our transformation forward. With "Ambition 2039," we set our course towards CO_2 neutrality for our entire company in 2019. Last year we decided to once again significantly accelerate down the road to an emission-free and software-driven future. We will invest some 60 billion euros in this effort by 2026.

We want our products to be fully electric by the end of this decade wherever market conditions allow. With our new EQA, EQB, EQE and EQS we introduced four all-electric models in 2021 alone. And our electric product offensive continues – across all our brands. We are encouraged by the strong positive feedback from our customers, which is equally reflected in our strong sales numbers: In 2021 we sold nearly twice as many electric cars and vans as in the previous year.

However, when it comes to promoting sustainability, it's not solely about products. It's also about the big picture. In order to further advance the spread of electromobility, for example, we must also accelerate the expansion of green infrastructure - a very demanding task that governments, energy suppliers and car manufacturers can only solve by working together. We're also making our contribution: Mercedes me Charge, for example, is already one of the world's largest charging networks with access to some 700,000 charging stations. By adding additional markets and charging station operators, this network is growing steadily. Working with our partners, we are participating in its further expansion. At the same time, we are increasingly using our own systems and buildings to generate sustainable electricity from solar power. Much can be achieved when we pull together across company and industry boundaries. That is why we comply with international agreements in everything we do and are clearly committed to initiatives such as the UN Global Compact.

It is part of our corporate responsibility to optimally position ourselves structurally for the future. To do so we took a historic step forward last year: Out of the former Daimler we formed two strong, independent companies in Daimler Truck and Mercedes-Benz. This enables us to concentrate more fully on our respective customers and their technological requirements in the future and to further accelerate our transformation to sustainability.

Sincerely,

Ola Källenius
Chairman of the Board of Management of Mercedes-Benz Group AG

What is the drivetrain of the future? This question has been on our minds – and not just since the historic realignment of our company, but since our founder fathers invented the automobile 136 years ago. At Mercedes-Benz we have a clear answer: Innovation. Today, this is particularly true when it comes to sustainability. Innovation is the key to ensure that future generations can live well on our planet. To this end, we are not only completely gearing our product range to electric driving – we are also changing the way we develop our vehicles.

We presented tangible evidence of this at the beginning of 2022 in our Vision EQXX. It's an electric car pushing the boundaries and exploring options for future production vehicles. It is designed down to the last detail for maximum range and efficiency. With a comparatively small and light battery, our technology showcase will be capable of exceeding 1,000 kilometers on a single charge. To accomplish this, we pursued a holistic approach, from the high-tech drivetrain to optimized aerodynamics and bionic lightweight structures. We also set out to achieve as much as possible in terms of environmental compatibility. That's why, for example, we use new materials obtained from cactus fibers and mushroom mycelium. The important thing is that this car is not merely a show car. It comes out of a technology program from which we learn to advance our series production. This includes new forms of digital development and interdisciplinary cooperation that make us both faster and more efficient.

The holistic approach to Vision EQXX is also a symbol of our efforts to become climate-neutral along our entire value chain. Production in our own plants will be CO_2 neutral as early as 2022. We have also made carbon dioxide emissions a key award criterion in our purchasing. Suppliers, who account for around 90 percent of our annual purchasing volume, have already agreed to only supply us with CO_2 neutral products in the future.

Rarely have we set ourselves more ambitious goals at Mercedes-Benz than we do today. This is how we want to be a driving force for a good future.

Sincerely,

Markus Schäfer
Member of the Board of Management of Mercedes-Benz Group AG.
Chief Technology Officer, Development & Procurement

With the high-reaching goals of our “Ambition 2039,” we at Mercedes-Benz are clearly committed to climate-neutral mobility. But we also aim to be a driving force for a better future beyond our own value chain.

In November 2021, for example, we were the only German car manufacturer to sign the “COP26 Declaration on Zero-Emission Cars and Vans” at the world climate conference in Glasgow. We are convinced: Only through collective action by governments, business and civil society can we achieve the goals of the Paris climate agreement.

That is why we not only accelerated from “electric-first” to “electric-only” in this past year, but also further intensified the exchange with our stakeholders. In our Advisory Board for Integrity and Sustainability, in the Sustainability Dialogue and as part of our membership in organizations such as the World Business Council for Sustainable Development, we use external feedback to position ourselves even more sustainably.

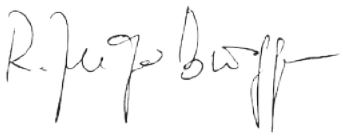
In terms of sustainable transformation, we aim to create added value for all stakeholders in the spirit of ESG. We have therefore aligned our sustainable business strategy with the Sustainable Development Goals of the UN. For us, environmental, social and economic responsibility are inextricably linked.

Specifically, that means we do not want to shift any problems to other parts of the world – such as in the extraction of raw materials for our electric vehicles. We only want to offer products that have been manufactured without human rights violations. To this end, we are further developing our Human Rights Respect System, with which we can meet central regulatory requirements at an early stage. Our declaration of principles for social responsibility and human rights, which was adopted in the 2021 reporting year, also contributes to this end.

We employ governance instruments of this kind for other sustainability issues. The data compliance management system is becoming increasingly important to our ambition to “Lead in Car Software.” When using AI or automated driving, we also take ethical requirements into account. And we’ve done so with success: We were the first manufacturer in the world to receive an internationally valid system approval for highly automated driving.

Our corporate principles and our code of conduct, which was awarded top marks[1] in the reporting year, help us to do the right thing. Sustainability and Integrity are the central guidelines in the daily work of our more than 170,000 employees. They play the decisive role in the sustainable transformation of Mercedes-Benz - our “how” to master what is perhaps the greatest challenge in human history.

Sincerely,



Renata Jungo Brüngger
Member of the Board of Management of Mercedes-Benz Group AG.
Integrity & Legal Affairs

1 During the reporting year, the trade magazine “Der Compliance Manager” took a close look at the codes of conduct of the DAX-40 companies and evaluated them in depth. Our Integrity Code received top marks in this assessment.

We focus on our customers

Our customers have the floor

Our most important task in the transition to electric mobility is to inspire the change with convincing luxury products. With Mercedes-EQ, we offer our customers more than just a unique electric driving experience. We asked some of them how they're experiencing this new Mercedes-Benz world, why they've switched to an EQ model and how important sustainable mobility is to them.

Li Minguo

For me as a customer...

> *...Mercedes-Benz is a perfect metaphor of society's development and the representation of balancing force of the world to achieve a more sustainable life. Mobility is giving us a glimpse of eternity through which we should live the best sustainable life as possible.*

At Mercedes I decide...

...how I allow my data to be used, and what I either do or don't regulate electronically.

Andreas Fuss

Gong Li

I experience electromobility...

...as the fire-new EQ model that has struck me with its splendid automotive electric luxury. The longer it stays by your side, the better it gets to know you and your needs, like a boon companion that you have known for years.

To make progress and improvement to be the best...

...you continuously have to challenge yourself in every detail. With its shift to electric mobility, Mercedes-Benz is making great effort on social responsibility and customer care.

Liang Wenchong

Jörg Bernicken

For me as a customer, transparency means...

...being able to rely on verifiably fair and environmentally friendly journeys, all the way from production to recycling.

I drive an EQC* because...

> *...a sustainable future begins in the present.*

* EQC 400 4MATIC: NEDC: combined electrical consumption: 21.9 – 19.4 kWh/100 km; combined CO_2 emissions: 0 g/km. Electricity consumption was determined on the basis of Commission Regulation (EC) No. 692/2008.

Dr Jana Michel

Wordless but straight to the point

As the saying goes, a picture says more than a thousand words. In a somewhat offbeat interview, Bettina Fetzer, Chief Communications and Marketing Officer at Mercedes-Benz, shows there's a grain of truth in this. Without using any words, she shows clearly what we've already achieved on our path toward CO_2 neutrality.

1. What's your facial expression when you're going from 0 to 100 in 4.3 seconds in the EQS (EQS 580 4MATIC, WLTP combined electric energy consumption: 21.3 – 18.2 kWh/100 km; CO_2 emissions: 0 g/km)[1]?

2. Production of the EQS is CO_2 neutral as well. What's the situation regarding recycling? How would you rate the recyclability of a Mercedes-Benz car on a scale of one to ten?[2]

1 Electrical consumption and range were determined on the basis of Regulation (EU) 2017/1151.
2 For details please see chapter ↗ Recycling- keeping the end in mind from the very start

3. How can customers charge and pay in an uncomplicated way all across Europe?

4. What material used in the EQS surprised you?

5. You are one of the people responsible for the external image of the world's most valuable luxury automotive brand. Do you sometimes take a break in the EQS (EQS 450+, WLTP combined electric energy consumption: 19.8 – 15.7 kWh/100 km; CO_2 emissions: 0 g/km)[1] within its range of up to 784 kilometres?

Bettina Fetzer
has been Head of Marketing at Mercedes-Benz AG since November 2018. Effective as of 1 July 2021, Bettina Fetzer also became Head of Communications at Mercedes-Benz AG. This unit encompasses global corporate communications as well as global communications for cars and vans. In this position, Fetzer generates momentum for the brand and is responsible for the global positioning of Mercedes-Benz and its products inside and outside the company. She studied International Business Administration in Landshut and Cambridge and has been working in various positions within the company since 2004.

1 Electrical consumption and range were determined on the basis of Regulation (EU) 2017/1151.

We connect with science

Two perspectives on the path to climate neutrality

In 2021, the publication of the first part of the Sixth IPCC Assessment Report has made it clear: the world must act now to limit the consequences of climate change. At Mercedes-Benz, scientific findings and the dialogue with experts are the basis for the necessary technological progress. This is the only way we can achieve our goal of CO_2 neutrality by 2039.

Prof Dr Dr Felix Ekardt
Head of the Research Centre for Sustainability and Climate Policy in Leipzig and Berlin

Facts only influence our behaviour to a limited extent

Prof Dr Dr Felix Ekardt is Head of the Research Centre for Sustainability and Climate Policy in Leipzig and Berlin and Professor of Public Law and Philosophy of Law at the University of Rostock. He has been researching in matters of law, ethics, politics, and transformation conditions of sustainability for 25 years. Felix Ekardt is active in political consulting and is the author of numerous specialist articles. In 2021, together with the lawyer Dr Franziska Hess, he also obtained the noted decision of the German Federal Constitutional Court on climate policy[1]. We asked him for his opinion on key issues in the climate debate.

A frequently used argument against intensified climate protection is that it will place a disproportionate burden mainly on people with low incomes. What's your opinion?
This is all to do with the fact that the opportunities for freedom between the generations must be

Jana Krägenbring-Noor
Head of the Corporate Environmental Protection and Energy Management department at Mercedes-Benz AG

We've achieved a lot more than was conceivable at the beginning

The publication of the first part of the Sixth IPCC report in 2021 used hard facts on the status quo of climate change and possible subsequent scenarios to make it clear: Society, business and governments need to act! In this name contribution Jana Krägenbring-Noor, Head of Corporate Environmental Protection and Energy Management, reveals what is needed for the sustainable transformation of an internationally operating company — and why there's no alternative to a sustainable business strategy.

When I look into the sunset on vacation at the Baltic Sea and watch the seabirds along the horizon it not only energises me, but makes me aware of how important it is to keep nature and people in harmony. With this goal in mind, I start my laptop in the morning and am happy that I can help to shape sustainable action at a company like Mercedes-Benz. About four years ago, my team and I were given an important task: to create an

1 1 BvR 2656/18, 1 BvR 288/20, 1 BvR 96/20, 1 BvR 78/20

balanced more fairly. The Federal Constitutional Court confirmed this in its ruling. The effect of climate protection on the balance of social equality is more good than bad, because climate change itself would cause a much more problematic distribution of social goods than even the most radical climate protection policy.

What does the term "climate justice" mean to you? In your opinion, who has to create a balance in whose favour?
When it comes to climate protection, the freedom of those who produce and consume here and now competes with the right to the elementary prerequisites of freedom: life, health and a subsistence income — worldwide, and also for future generations. The democratic majority has some creative freedom in this area. Constitutional courts have the task of safeguarding certain limits as we weigh the alternatives. This is precisely why Germany's Federal Constitutional Court intervened, because we are in the process of very quickly using up the small remaining budget we still have for reaching the goal of limiting global warming to 1.5 °C.

Following a complaint to the Federal Constitutional Court, the Federal Government must amend the German Climate Protection Act by the end of 2022 and define effective climate protection measures for the period after 2030.

How would you categorise the results of the IPCC with regard to climate justice and the automotive industry?
Sustainability requires a lifestyle and an approach to resource management that are viable in the long run and on a global scale. In order to solve various environmental problems such as the climate crisis, loss of bio-

even greater awareness within the company of how our actions affect the environment. Sustainability should be at the centre of business, and it's not just a matter of putting locally emission-free automobiles on the road.

Sustainability must be the guiding principle for every employee's actions

In fact, a sustainable business strategy means integrating sustainability into all processes along the value chain. This is a huge task that can only be successful if everyone participates. My team and I are working intensely, as we always have, to keep things moving and serve as the driving force of the strategy and implementation process. In a way, asking the right questions has to become a part of the organisation's DNA: how is climate and environmental protection relevant for my tasks, and what aspects do I have to keep in mind? How does this decision affect resource consumption and the CO_2 footprint? Where can I also improve in ways that are not measured by performance indicators? We've already made big progress on these issues, and not just in vehicle development and production.

The EQS electric saloon is produced CO_2 neutrally at Factory 56 in Sindelfingen.

This highly dynamic process of change is increasingly being influenced by investors who demand sustainable action. One response to this was the first green bond in the amount of one billion euros, which the Mercedes-Benz Group issued in September 2020. The second green bond of the same amount followed in March 2021. The net proceeds from these issues are

diversity, distorted nitrogen and phosphorus cycles and the pollution of soil, air and waterways we have to leave certain drivers of destruction behind us. We need to use zero fossil fuels and about 75 percent less livestock farming and pesticides. These problems would then be largely solved. The legally binding 1.5 °C limit set by the Paris Agreement implies that we must implement all of these requirements by the start of the 2030s all over the world and in all sectors, including the transportation sector. Fossil fuel drive systems may no longer be used after that point. Possible compensations for greenhouse gas emissions such as bog or forest management don't change that necessity. This is because we need these compensations for residual emissions in areas such as food production.

The Intergovernmental Panel on Climate Change published the first part of its Sixth Assessment Report in 2021. It summarises the most important findings on the current state of climate change, causes and impacts.

People always blame others

Why do we find it so difficult to translate our knowledge about the harmful effects of fossil fuels and excessive meat consumption into concrete actions?
Knowledge of the facts and ethical values — in other words, aspects of awareness — have only limited influence on our behaviour. For members of the public, politicians, managers and everyone else, other factors are often more important — factors such as calculations of self-interest, path dependencies, and the fact that the climate is a collective good that can't be controlled by individuals. Also important are people's concepts of normality, which are often confused with ethical values. It somehow seems "normal" to eat meat every day, fly to

used exclusively to fund green projects. This enables investors to participate directly in the attainment of the sustainability goals and at the same time ensures that we have the liquidity we need to make important investments for the future.

This is necessary because our efforts as a company are embedded within a legal framework set by politics. For example, the goals of the Paris Climate Agreement must be implemented, so that targets and incentives are set not only for individuals, but for society as a whole – because that's the only way that the climate can be effectively protected in the long term. At the European level, car manufacturers for example are given fleet limits. It should be noted that the goals of our Ambition 2039 go beyond these requirements.

We want to become CO_2 neutral by 2039 – the goal we set ourselves in May 2019 with the aforementioned Ambition 2039 programme has since gained enormous momentum, both internally and externally. From my point of view we've made much more progress over the past two years than was originally thought possible. In my opinion, the decision of the Executive Board to set sustainability targets for all areas is the basis for this success. Environmental protection is being directly managed and put into practice in our daily work.

It makes me proud that we have in fact exceeded our targets defined for 2021 in some areas. For example, we have succeeded in reducing the amount of cobalt in the cathodes of the EQS' battery cells to less than ten percent – a significant improvement compared to previous battery generations. Our procurement unit also made great progress. For example, Mercedes-Benz has agreed to purchase battery cells produced in a CO_2 neutral manner as part of its strategic partnerships with battery cell partners CATL, ACC and Farasis. Starting with the EQS, we will only procure CO_2 neutral battery cells for our new all-electric passenger car models. This will save around 30 percent of the emissions from battery production.

a holiday destination several times a year and become more and more wealthy over time. Perhaps emotional factors are the most important here: laziness, habit, mental avoidance, a tendency to make up excuses, inability to imagine complexity — and especially the tendency to scapegoat others. Climate change is somehow ultimately the fault of the Chinese or Donald Trump; as for me, I'm completely blameless — even though here in Germany we have one of the world's biggest climate footprints per capita.

Is "green" consumption a legitimate way to make a fair contribution to climate protection at the individual level?
Social change takes place through the interaction of diverse players, all of whom are subject to the motivation factors I've just mentioned. Politicians, members of the public, lobbyists and journalists, who all depend on one another as if they were caught up in vicious circles, populate the political sphere. In addition, the political sphere is interdependent with the sphere of production and consumption, which is ultimately populated by the same people who in turn are interdependent on one another. In other words, if we want to reset the framework for our consumption, success will depend on the interaction of many players. That's because green consumption can mean a technological as well as a behavioural transformation. Both will be necessary if we are to stay within the 1.5°C limit. In the interplay of change, we will need voluntary green consumption as well as political commitment to a change of lifestyle and of economic activity.

An "unpacked" filling station in a supermarket – to slow down climate change, it is not enough to make production processes more efficient and environmentally friendly. Consumer behaviour must also change.

Step 1: Taking stock of (life cycle) assessment

But how can we know where the need for action is particularly acute or where reduction measures are especially effective? To answer this question, our first step for all units is to take a close look at our consumption.

In doing so, my team and I concentrate on how we can employ a holistic approach to improve the products' environmental compatibility and reduce the environmental impact. If you want to permanently improve the life cycle assessment, you need to take a 360° view of the entire life cycle: What impact do the raw materials already have? How much energy is needed for production, how do the various drivetrains influence the CO_2 balance during the use phase, and what effect does the use of ⊙ recyclates have? We can now evaluate all of this not only manually, but also automatically, from the raw material to practically the last screw, so to speak. As a result, we know precisely what measures we have to take in order to improve climate neutrality, enhance environmental compatibility and reduce resource consumption. The life cycle assessment of the EQS, for example, shows that we are on the right track from today's perspective with our electric–only approach. Calculated for the life cycle as a whole, the EQS' CO_2 balance is 80 percent better than that of its combustion engine counterpart, given the EQS is charged with green electricity. Compared to the conventional S-Class, the higher emissions from the production of the EQS are already offset after just 20,000 kilometres. A few years ago, we would have considered such figures to be merely visionary.

Keeping materials in circulation

We also take a close look at the materials used in a vehicle. Moreover, we take on responsibility for our supply chain even though we don't pull all the strings here. Our goal is to conserve valuable resources as well and to use as little of the primary raw materials as possible. At Mercedes-Benz, we have therefore set

Demanding and promoting a different kind of politics

What exactly do you mean by a political commitment?
A different kind of politics is only going to be possible if we all demand it — so people should join political parties, join associations and join the demonstrations. Another prerequisite for a different kind of politics is that as many people as possible show in their personal spheres how we can live and do business differently. This kind of cooperative action is the only way we can break through the various vicious circles in which all of the participants and spheres are involved. Referring to individual actors is pointless; that would lead to the old question of which came first, the chicken or the egg. And it is by no means just a matter of more factual knowledge and values. If we set the course within the political framework and in our personal activities for zero fossil fuels and less livestock farming and pesticides, these harmful factors will disappear from the market either completely or partially — through technological and behavioural transformations.

What does the pathway toward this new normality look like to you?
The central political toolbox has to start operating at the EU level. Otherwise, problems would only be shifted to other countries. If we establish an improved emissions trading system that covers all fossil fuels and also animal products and pesticides in a similar way, we would make our reduction target more ambitious than it has been so far. If we close all the loopholes — and if we do all this in 15 years at the most — we can still reach the binding global targets for the climate and the environment. To round off this effort, the EU would have to work together with other countries that are moving along a similar pathway to introduce environmental tariffs against countries that are not participating in these measures. If that doesn't happen, we would once again be shifting emissions to other countries. Individuals will then experience a temporary increase in the price of fossil fuels — effects that steer us toward technological and behavioural transformation. If we target emissions ourselves the goal of increasing the use of recycled materials to 40 percent by 2030. With regard to plastics we've already made good progress: seat covers made of 100 percent recycled PET bottles, floor coverings made of processed fishing nets and fabric scraps instead of tufted velour. Moreover, we are using cable ducts made of recycled household waste. The EQS alone contains a total of 80 kilograms of resource-conserving materials. I was totally thrilled when I had the chance to experience the Vision EQXX that we unveiled in January 2022. The vehicle's interior, for example, contains many materials that aren't from animal origin.

In fact, 95 percent of a vehicle can be recycled today. However, as we progress towards a circular economy, we have to bear in mind that the steel from recycled end-of-life vehicles today is generally not used to produce a new automobile, but rather for steel girders in a multi-storey building. Although there is nothing wrong with this as such, it also means that the high-quality automotive alloys are tied up for another purpose. We want to get closer to the „closed loop" in automobile production. In the case of our high-voltage batteries, we attach great importance to recycling and reuse even before recycling. For example, defective batteries are reprocessed for reuse in vehicles.

When a battery is no longer suitable for road use, it is reused in a stationary energy storage unit in order to offset peaks in consumption in the electricity grid. Once this application likewise comes to an end, the battery is recycled so that valuable raw materials can be recovered.

Minimising raw materials risks by means of technological progress

Although recycling processes are already very advanced, batteries contain valuable raw materials that are sometimes critical. That's why we want to steadily reduce the amount of critical raw materials that are used per vehicle. We design our vehicles to be as resource-conserving and environmentally friendly as possible over their entire life cycle. In vehicle development we call this approach

trading with a goal of zero fossil fuels by around 2035, fossil fuels will simply no longer be on the market at some point.

Less consumption and climate-neutral products

Of course behavioural change also means that we have to rethink our attitude toward consumption. From a corporate perspective, would companies earn enough money from frugal consumers to secure jobs?
Technological change creates growth and jobs. By contrast, less consumption may lead us into the post-growth society. Companies, the job market and social insurance will need new concepts to deal with this. It makes sense for an individual company to orient itself toward emission-free services and products as soon as possible.

The new EQXX convinces with a range of 1,000 kilometres and its 117 solar cells on the roof, which provide additional range, especially on sunny days.

From a climate-policy perspective, is it correct to include transport in the national emissions trading system – what do you think?
This is an initial step toward the expanded EU emissions trading system I've been describing. The biggest question for Germany's new "traffic light" government is whether it will accept the EU's proposals for intensified climate protection. In order to reach the 1.5°C target, the government would have to demand a further improvement of the EU recommendations — for example, a more ambitious "Design for Environment". This is why it's all the more important that the individual components are analysed for their social and environmental risks before the first vehicle sketch is made. The ESSENZ method that we developed in cooperation with the TU Berlin and other partners provides information about the scope of the risks. This method assesses, for example, how the raw material deposits are distributed across the earth and whether their exploitation could be associated with human rights risks. In the latter case, it supplements our Human Rights Respect System. The results help us to gain a clear picture of the potential environmental, economic and social risks that are associated with the use of a given raw material. To date, the Mercedes-Benz Group has identified 24 such risk-related raw materials, including cobalt and lithium, which we will only procure from certified sources in the future.

However, our aspirations go far beyond industry-wide standards. In the medium-term, we want to reduce the amount of critical materials used by keeping second-use raw materials in the cycle for as long as possible. At the same time, our engineers are working at full speed to increase the energy density of lithium-ion technology. This enables us to reduce the proportion of critical raw materials used as well. With success: The proportion of cobalt in the new generation of batteries has already been reduced to below ten percent. Our goal is to completely change the material composition. Whereas today's battery cells contain comparable amounts of nickel, manganese and cobalt, most of the cobalt in the lithium-ion battery cells might soon be replaced by nickel. In the future, we want to use post-lithium-ion technology to dispense with nickel and cobalt completely in batteries.

Achieving CO_2 neutral production with green electricity

We have also taken a great leap forward in vehicle production. The use of sustainable energy increased further in 2021. Since 2022, purchased electricity has come entirely from renewable sources, and production at the

EU reduction goal and a more consistent closing of loopholes in the emissions trading system.

From your perspective, what would a convincing narrative about the future look like? What role could car manufacturers play in it?
Car manufacturers will have to focus more strongly on leasing and sharing than on selling vehicles. They will have to become general providers of mobility services. In addition, all of their products and services must be completely in the post-fossil-fuel category.

Prof Dr Dr Felix Ekardt
is Head of the Research Unit Sustainability and Climate Policy in Leipzig and Berlin and Professor of Public Law and Law Philosophy at the University of Rostock. He has been researching law, ethics, politics and transformation conditions of sustainability for 25 years. In 2021, together with the lawyer Dr Franziska Heß, he obtained the decision of Germany's Federal Constitutional Court on climate policy, which received worldwide attention.

car and van plants of Mercedes-Benz is CO_2 neutral throughout the world. However, the availability of green electricity at all of our locations worldwide proved to be one of the key challenges. That's because local conditions often differ widely. Green power wasn't always available or couldn't easily be routed to the places where we needed it. We therefore sought dialogue with the plants worldwide and drew up individual solutions for the green power supply. In addition to the expansion of photovoltaic systems, this was an essential key to achieving CO_2 neutrality in production. However, we can't dispense with offsets completely yet. In the future, we especially want to improve facilities that require a lot of process heat.

What we can learn from ESG ratings

Incidentally, whether our transformation is basically on the right track is reflected in more than just our share price. ESG ratings are becoming increasingly important means of depicting our performance alongside the financial rankings and trend analyses of the capital market. These scores provide us with guidance because they let us know which topics are currently trending and where we have to make more rapid progress. That's why investors consider ESG ratings to be an important indicator of whether our investments are sustainable.

I'm very confident with regard to our company's transformation. This positive feeling greatly motivates me in my daily work. For me, it's very important that I work for a company that has made environmental protection its priority. At Mercedes, we are driven by the goal of reconciling mankind and mobility with the environment. Knowing that we work hard to achieve our goals, I can take a deep breath during an evening walk with our four-legged friend in the woods and meadows and look forward to the next working day.

Jana Krägenbring-Noor
is the Head of the Corporate Environmental Protection and Energy Management department. As a member of the Sustainability Competence Office, she coordinates the Group Sustainability Board. Her department covers the areas of sustainability, environmental protection, and energy management at Mercedes-Benz AG and is responsible for compliance with environmental and energy policy.

At a glance: The current state of the climate

The “Intergovernmental Panel on Climate Change” (IPCC) is the United Nations body that assesses the scientific evidence on climate change. In its sixth Assessment Report, it provides information on climate change, its causes, possible impacts and possible responses. The graphic below illustrates the most important findings on the current state of the climate system and climate change. Further information on the work of the IPCC and the current report can be found here.

Fastest rise in surface temperature in
2,000
years

Lowest sea-ice surface since
1850

Hightest CO_2 concentration in the atmosphere for
2 million
years

Fastest rise in sea level in
3,000
years

Human-caused increase in global surface temperature

since 1850: **+1.07°C**

Atmosphere

Since 1950:

- Increase in heat extremes
- Increase in heavy precipitation events
- Increase in tropical cyclones

Land areas

- Retreat of glaciers
- Shift of climate zones

Oceans

- Ocean acidification
- Sea level rise

We are changing our working environment

Opportunities that electric-only offers to our workforce

Our managers are encouraging all employees to help shape the mobility revolution and to contribute their skills and competences. Job profiles are changing and new employment fields arising, while locations are adapting to the new requirements. In order to make full use of the potential offered by the transformation, we ensure our workforce is well qualified and fit for this new challenge. We asked our Board of Management member responsible for Human Resources and Director of Labour Relations, as well as employee representatives and employees, the following question: What does the transformation to electric mobility mean for the world of work, and how are you experiencing it at Mercedes-Benz?

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Electric mobility is the future — I’m absolutely convinced of this. That’s why I’m proud to work in the battery assembly unit at Mercedes. At the Hedelfingen plant we produce the battery systems for our first all-electric luxury saloon, the EQS, and also for the EQE, which will be launched soon. In our unit we deal with high electric voltages. This is why everyone who wants to work at our unit has to complete a corresponding qualification programme. Admittedly, the exams are challenging — especially for someone like me, who didn’t have any prior knowledge in the electrical sector. But the programme is worthwhile! We have the opportunity to help design assembly processes, and that motivates me every single day.

Mohamad Ysser Makansi
Co-Worker Mercedes-EQ battery production team at the Mercedes-Benz plant Untertürkheim, Hedelfingen sub-plant

A passion for technology unites all of us at Mercedes. That's why our entire department is helping to shape the transformation, and we're developing electric drive systems with all our heart and soul. Personally, this is one of the most exciting assignments! Of course it has required us to change our mindset and retrain. In order to get everyone on the team excited about the work, we've offered test drives and held discussions with experts who do research on electric drive systems, for example. We're proud of what we've achieved. Starting in 2024, every electric drive system in a Mercedes will have been developed in our department.

Servane Lessi
Head of the Electric Power Train at the Mercedes-Benz AG

In my opinion, socially acceptable change will come about if we successfully bring together sustainability, economic efficiency and secure jobs over the long term. I believe that the key factor is the continuous upgrading of our colleagues' qualifications. We at Mercedes-Benz have incredibly strong specialists, who make up a high percentage of the workforce! To ensure things stay that way in the future, we also have to support talented young people further, such as our trainees and students. For me it's obvious that this is a meaningful investment in the future. Factors such as climate change are presenting us with huge challenges. Through our work in the area of electric mobility we are going in the right direction, and as a company we can continue to offer attractive jobs that assure security and future opportunities.

Florian Weisbeck
Chairman of the Joint Youth and Trainee Representation of Mercedes-Benz AG in Untertürkheim

The transformation to an electric and digital future is a major challenge, and at the same time a great opportunity. With our employees, we'll seize this chance successfully by working together as a powerful Mercedes-Benz team. After all, transformation starts with people — so, sustainable human resources planning is the key to success. It is obvious that tasks and job profiles are changing and shifting. This is precisely why we're counting on our employees' lifelong eagerness to learn, which we support with customized qualification programmes and integrated learning formats. Our goal is to shape the changes responsibly, and in a socially acceptable and future-oriented manner. By orienting our corporate strategy towards a sustainable future, we're securing the success of the company and employment at the same time.

Sabine Kohleisen
Member of the Board of Management of Mercedes-Benz Group AG and Mercedes-Benz AG responsible for Human Resources and Labor Director

The most important message for our employees on the topic of transformation is: We support colleagues at all times and stand by their side. As employee representatives, we pay very close attention to how the changeover to electric mobility affects our own locations and trades. Our ambition is to actively shape the change. This means that we think ahead, contribute ideas, bring about decisions and do not limit ourselves to reacting. What this means in concrete terms is demonstrated by our demands for our own battery production, the development of necessary know-how and the insourcing of innovative value-added potential and additional e-components. In intensive discussions and negotiations, we've already achieved a lot together with the management to secure employment at our locations. Only with a concerted effort can we shape the change fairly and socially.

Ergun Lümali
Chairman of the Works Council at the Sindelfingen plant and Chairman of the General Works Council of Mercedes-Benz Group AG

Roman Zitzelsberger
District Manager of the German Metalworkers' Union (IG Metall) in Baden-Württemberg

We at the Metalworkers' Union are strongly committed to a fair transformation. We're advocating that the ecological transformation is shaped in ways that are socially just and democratic. That's the only way we can reach the climate goals — if we include everyone and take the employees' concerns into account. Clear commitments to jobs and investments are important, and they generate a sense of security as well as acceptance of the transformation. That's why the priority for governments and companies should be obvious: safeguarding employment in places where it already exists today. For example, Mercedes-Benz has decided to convert its plant in Berlin-Marienfelde to electric motor production. That's an important signal to the workforce!

At IndustriALL, a global federation of labour unions, we're especially interested in the worldwide impacts of the transformation on employees. Through a socially oriented transnational dialogue, we are working together with our partners from industry to develop global standards that will make a just transformation possible. Of course, this is not always easy, because of geographic and cultural differences, but at the same time, it's enthralling. During volatile times, we stand beside employees all over the world in a spirit of solidarity, and we direct their attention to opportunities. In the discussions about the transformation in the work environment, people sometimes don't speak often enough about the fact that new jobs are also being created by the transformation of mobility, for example — jobs that would also be very suitable for metalworkers if they're open to receiving the relevant further qualification. Quite a few workers also possess skills that might not be recorded on paper but are extremely valuable on the job market. We must work together to exploit this potential! It's vital for the automobile industry to assert itself against the gigantic tech companies. I'm very confident that this effort can succeed, especially now that everyone has understood that there is no alternative to electric mobility.

Georg Leutert
Director for Automotive and Aerospace Industries at IndustriALL

Our strategy is set in place

Making our path to climate neutrality a global model for success

Plans call for Germany's transport sector to emit almost 60 percent less CO_2 in 2030 than in 2020. In this interview, VDA President Hildegard Müller explains what, besides technology, is needed to achieve this goal.

Hildegard Müller
President of the German Association of the Automotive Industry (VDA)

Almost every fourth new car registered in Germany in 2021 was an electric vehicle. Is the sector now on its way to achieving its emission targets?
This is a welcome development! However, it's long been a question of how rather than whether we will achieve the emission targets. The automotive industry, as organised in the VDA, is clearly committed to achieving climate-neutral mobility no later than 2050. We are working hard to drive this transformation forward! The German automotive companies will invest more than 220 billion euros in research and development between 2022 and 2026 alone. And in the years ahead, German manufacturers will offer over 150 electric models on the market, meaning that there will be something for every need. There were many very interesting premieres at IAA Mobility in Munich, including some from your company. I'm therefore very optimistic about our industry, despite the many challenges it faces. Over the past two years, we have also been impacted by covid-19-related one-off effects. On the one hand, people preferred to have their own cars, while on the other, private transport as a whole has decreased.

But then again, the growth in online commerce has led to more shipments.
That's how it is. That's why we will have to continue to keep an eye on all of the transport sectors. Moreover, we urgently have to make headway with the digitalisation of Germany's transport system. If traffic flows were digitally managed, for example, we could reduce CO_2 emissions considerably in cities and at the same time make driving even safer, more comfortable and user-friendly than it already is. This shows how complex the topic is.

Ambitious targets require customer-oriented solutions

Will we accomplish the mobility revolution by 2030 nevertheless?
I'm in favour of honesty. This will be hard work. As the automotive industry, we'll do our part. We're reorganising our production processes, converting plants and focussing clearly on electric mobility in cars — all of this requires a huge amount of effort from the companies, but also from each and every employee. For heavy-duty transport, hydrogen offers a further option when it comes to electric mobility. All of these activities will help to pave the way for climate-neutral drive systems. And as I mentioned, a lot is also being done with regard to digitalisation. The government must keep its promises and create a legal framework and a digital infrastructure so that Germany can become the international leader in this field. The automotive industry has many innovative ideas to offer.

To what extent do you think industry should be responsible for accelerating the ramp-up of climate-friendly drive systems?
Germany's new government has set ambitious targets. Putting 15 million electric cars on the road by 2030 means that one out of every two new automobiles registered between 2022 and 2030 must have an electric drive system. I think industry is responsible for making the best, safest and most efficient climate-neutral automobiles as well as for staying competitive and providing customers with good solutions. At IAA Mobility in Munich, we showed that electric mobility is fun. However, this drive system won't become dominant until people can recharge it anywhere and anytime. Unfortunately, a lot of work still needs to be done here. As of today, the pace at which the public charging infrastructure is being expanded will have to increase about sevenfold if the target of one million charging points is to be achieved by 2030.

The German government plans to set up one million additional charging points by 2030.

At the same time, 1.5 billion vehicles with combustion engines are still on the roads worldwide. How do these vehicles fit into the concept of climate-neutral mobility?
That's a very important point. We also have to include the existing vehicles so that they can contribute to climate protection, too. This applies especially to parts of the world where the preconditions for electric mobility won't exist for a very long time — because there's no charging infrastructure, for example. That's why the VDA is calling for a greater inclusion of synthetic fuels and for a mandatory utilisation rate. We also have to discuss the social consequences of this transformation. Not everyone will be able to afford a climate-friendly new car in the years ahead. I reject the idea of making mobility expensive or even banning it; that would only cause social conflict. Mobility means participation. That's why we also have to explain at the socio-political level how we want to make the mobility of the future sustainable. This transformation will only succeed if we get people's support and avoid divisiveness and conflicts.

The mobility of the future also includes making people the focus of inner-city planning. What role should cars play in public spaces in the future?
The focus is on human beings and their various needs. However, these needs differ. The VDA commissioned an Allensbach survey, which showed that the people in Germany aren't tied to any specific mode of transport. Instead, they want to remain flexible and independent. This applies to commuting to and from work as well as to the organisation of leisure and family activities. As I said, mobility means participation. Moreover, we

shouldn't discuss the future of mobility exclusively from the standpoint of city-dwellers. Many people live in rural areas and feel they're being ignored in this debate. This applies especially to people who have no alternative to driving a car because there is no adequate connection to local public transport.

Incorporating viewpoints from rural areas

It's all a matter of having the right mix. You can see this everywhere that a successful mobility revolution has already taken place — in Copenhagen for example, where the way various modes of transport could best be interlinked was determined for each district, step by step and in cooperation with the residents. This topic also has to be addressed holistically in Germany. This means that we have to include logistics, public transport and the different perspectives from urban and rural areas. This requires a constructive dialogue and the elimination of long-standing hostilities.

Copenhagen is considered a pioneering city in terms of transport change and, according to the „Global Happiness Report 2021", the most liveable city in the world.

What do you personally understand by individual mobility?
That I can use any mode of transport that I want, as needed. I personally have a broad range of options, from walking and cycling to driving a car, of course. I just as often take a train to go on business trips, and I fly when necessary. The way I use the various transport systems depends above all on what is offered. Sometimes it's also a question of the weather, but it mainly hinges on the options that I have at my disposal. When choosing which system to use, I make a point of travelling in a climate-conscious manner. I've been driving a hybrid vehicle for years. For me, this car combines the best of both worlds. My family is distributed over a wide area, and there are often gaps in the charging infrastructure that prevent all-electric vehicles from easily travelling along every route.

Do we as consumers bear a responsibility to future generations to give up some of our usual comfort in favour of climate protection?
We definitely bear a responsibility. However, whether it has to entail less comfort still needs to be discussed. The United Nation's 17 Sustainable Development Goals are interlinked, and social responsibility is expressly one of them. That's why I'm firmly convinced that climate protection, which we consider to be important, has to be combined with growth and prosperity. This is necessary not only to get people to accept it, but also to make our path to climate neutrality a global model for success. We have to show other countries that taking climate protection and sustainability goals seriously doesn't lead to less prosperity. If that's the case, people will copy our model, which has to be our shared goal and one that benefits the climate.

Strengthening consumer freedom

Let's get back to the consumers. Needless to say, everyone has to review their own behaviour. Every consumer has the freedom to buy the products he or she wants and they can, for example, take sustainability labels into account for their purchasing decisions. We cannot delegate this responsibility; at the same time, the government has to empower people to take it on. The government also has to establish an appropriate balance for people who don't have a choice because their budgets are too small. That's the only way we can get broad swathes of society to accept such changes.

However, in addition to acceptance, it's also a question of ensuring that consumers act in a sustainable manner. How do we close the gap between people's understanding and their actual behaviour?
Although I generally don't like slogans, I think

there's one that fits this case very well: You're responsible not only for the things you do but also for those you don't do. We should all make some effort to follow this maxim every day.

To conclude, I'd like to ask you to please finish the following sentence: For me, a car primarily has to be...
It has to be safe. And comfortable. Moreover, it has to reconcile mobility with climate protection.

Thank you very much for this interview, Ms Müller.

Hildegard Müller
has been President of the German Association of the Automotive Industry (VDA) since February 2020. She was previously Chief Operating Officer Grid & Infrastructure at Innogy SE. Prior to that, she was Chief Executive Officer of the BDEW e.V. (German Association of Energy and Water Industries) from 2008 until 2016. She was a member of the German Bundestag from 2002 to 2008 and a Minister of State to the former Chancellor of the Federal Republic of Germany Angela Merkel from 2005 to 2008.

Innovations have always played a key role in the luxury segment

The launch of the all-electric luxury saloon EQS and other electric models noticeably accelerated the transformation at Mercedes-Benz in 2021. Luxury and sustainability — is this a combination that goes well together? Definitely, according to Christopher Gerdes and Guido Görtler from the Mercedes-Benz strategy team.

Guido Görtler
Head of Strategy Execution at Mercedes-Benz AG

Christopher Gerdes
Head of Strategy Development & Strategy Intelligence at Mercedes-Benz AG

In 2021 Ola Källenius announced a strategic shift from electric-first to electric-only. Why?

GUIDO GÖRTLER: This was the outcome of a development process. For years we've been working not only on electric drive systems but also on the production of electric batteries. In 2014, we put the first all-electric Mercedes-Benz, the B-Class, on the road. Today we are represented on the market by electric vehicles in various segments, which we are constantly refining. One highlight was the successful launch of our new Mercedes-Benz EQ models last year. After all, a market launch of this kind is backed up by a complex interplay of planning, design, development work and production, all the way to the preparations at our showrooms. The main new aspect is the consistent decision to focus our resources entirely on electric mobility. With this clear approach in mind, we're working on fulfilling our full potential, especially in the area of vehicle architecture and drive technology. The enthusiastic response of our customers to the EQS shows that this strategic step is paying off. Incidentally, this luxury saloon is built on a platform that was specially designed for electric vehicles.

Did the good feedback on the market motivate you to promote the transformation of drive systems even faster and more systematically?

CHRISTOPHER GERDES: It certainly helped. But ultimately, there are various aspects that have accelerated this development. Progress in technology is central. Our customers' visibly growing demand for emission-free vehicles in the luxury segment had an impact on the speed of the transformation of drive systems. Of course, one important driver of this transformation are the legal regulations, including the discussions of driving restrictions for vehicles with

combustion engines. And not to forget the downward trend of the battery costs. All of these developments are reflected in the capital market. Companies that are relying solely on electric vehicles account for more than a third of the market capitalisation among the top 25 OEMs. Investors are not only endorsing the transformation, they reward and encourage it.

An affinity for electric vehicles in the luxury segment

GUIDO GÖRTLER: In particular, in the luxury segment the demand for electric vehicles is increasing. We've noticed that our customers have a strong affinity for innovative drive systems and that they are ready to actively participate in the transformation to electric mobility. For this customer group, the entry barriers are usually lower — partly because they invest more frequently in their own charging infrastructure or because they've acquired a taste for electric mobility via a second car.

Christopher Gerdes and Guido Görtler in conversation.

Speaking of luxury, is a luxury car defined the same way today as it was five years ago?

GUIDO GÖRTLER: The perception of luxury is also changing constantly, and especially innovations play a significant role in this. As part of the mobility revolution, people are assigning more importance to recycled materials and technology-enabled safety. Some of our customers are even explicitly demanding such features. A sustainable electric drive system can be very well integrated into a luxury vehicle, and it emphasises its premium quality. We want to use this lever to accelerate the transformation together with our customers.

How soon will Mercedes-Benz occupy a place among the top-ranking electric vehicle manufacturers?

GUIDO GÖRTLER: With electric-only we've defined a clear plan. In 2022, we will be offering an all-electric vehicle in every segment. By 2025, we aim to have an electric version of every model. As of then, all new vehicle architectures will also be purely electric. We expect that this wide range of options will reinforce the current sales trend. In 2021, we sold over 150 percent more all-electric Mercedes-Benz cars than in the previous year. That's a steep ramp-up!

Increasing expertise for the technological transformation

What are the biggest challenges you'll face along this path?

CHRISTOPHER GERDES: We've been very successful with our combustion engine vehicles for decades. Leaving all this behind is a step that affects our company as a whole and every individual employee. We have to take this step together. With a strategic reorientation and planning, we have set the course for change. We now have to keep on developing the skills and know-how of our organisation — in every individual phase of value creation. Especially in the technology and development areas, we will continue to offer attractive jobs in the future. To this end, amongst other things we are building a competence centre for electric mobility at our main plant in Stuttgart-Untertürkheim — with a focus on battery and battery-cell technologies.

GUIDO GÖRTLER: With regard to our employees, we ensure comprehensive qualification for the new tasks and at the same time recruit new talents and experts - for example in battery development, but also in the areas of software and chip technology. We are succeeding by systematically implementing our sustainable business strategy and creating new and attractive fields of activity.

CHRISTOPHER GERDES: The key challenge is to build customer acceptance and trust in new technologies — conveying that we are equipping our vehicles with excellent, mature technology. This technology is environmentally friendly as well as future-proof and convenient in daily use. The expansion of the charging infrastructure also plays a role here. This is an important prerequisite for a rapid market ramp-up. This means that the energy industry, politics and also municipalities, which often provide the space, must pull together here. After all, it's not enough just to set up the charging stations. For us to be truly sustainable on the roads in the future, we need electricity from renewable sources and a smart electric grid to which the charging stations can be connected.

Our strategy is based on shared beliefs.

A focus on high-powered battery storage units

What's the long-term outlook for batteries?

CHRISTOPHER GERDES: We need clarity about where we will get the huge amounts of green electricity that we need for the energy and mobility transition. As manufacturers, we also need to provide answers to the growing demand for electric batteries, the corresponding raw materials and their recycling at the end of their life cycle. Our goal here is the circular economy, because the need for energy storage units is tremendous, not only in our segment. This results in technological issues, for example the need for greater energy density. This is something our development engineers are already working on intensively. Moreover, batteries should be manufactured with fewer critical materials in the future. Our goal is to ensure humane working conditions along the supply chain and avoid environmental risks. In addition, the origins of the raw materials should also become more transparent. Last but not least, we as a company have to look carefully at how we invest — in other words, how we make sources of raw materials accessible, develop factories and buy sustainable energy and even produce it ourselves. All of these measures demand our resources, and of course, that is initially reflected in the price of our vehicles. That's why we have to prevent mobility from becoming a luxury good that some segments of our population can no longer afford.

Where exactly do you see Mercedes-Benz's responsibility in this?

CHRISTOPHER GERDES: We bear a substantial responsibility for shaping sustainable mobility, in the luxury segment and beyond. We're convinced that we are living up to this responsibility through our current strategy. Mercedes-Benz has already contributed a great deal in this area in the past. We've developed, tested and implemented mobility concepts — for example carsharing, the fully electric smart EQ and electric delivery vans. Now our goal is to consistently electrify our entire product portfolio.

GUIDO GÖRTLER: As a luxury car manufacturer, we also see it as our responsibility to actively participate in the public discourse on the future of mobility. At the UN climate conference in November 2021, our CEO joined the representatives of five other companies, more than 30 nations and a number of cities and investors who committed themselves to the end of the combustion engine. As a manufacturer, we at Mercedes-Benz already set ourselves much more ambitious targets in 2019 with our Ambition 2039, which we have since even tightened up again: we want to completely switch to electric cars by the end of this decade, wherever the market conditions allow. This strategic step from electric-first to electric-only not only accelerates the transformation — it also underlines our claim: to be a pioneer and to keep setting standards that promote innovation across the board and enable technological progress.

Responsibility for the transformation of drive systems

However, in the decades ahead there will still be a worldwide inventory of vehicles with combustion engines…

CHRISTOPHER GERDES: Of course, every vehicle naturally has a certain lifespan. And we also have customers who very consciously think about when it makes sense for them to buy a new car. Those who can generally afford to change may be persuaded by the lower operating costs of electric vehicles: these are about a third lower than the operating costs of comparable combustion engine vehicles. In addition, it can be assumed that in the future, emission-free vehicles will receive even more preferential treatment in public spaces than they do now. This might mean free access to green zones in city centres or to centrally located parking areas.

GUIDO GÖRTLER: In my opinion, consumers also bear a responsibility. Emission-free driving is an important pillar in the struggle against climate change. And that, in turn, is a challenge for our society as a whole. We're talking about changes that every individual can and must help to shape — otherwise it won't work. We as a company have a responsibility to develop vehicles that meet the criterion of climate neutrality throughout their entire life cycle. We do this by implementing our sustainable business strategy and putting electric-only on the road.

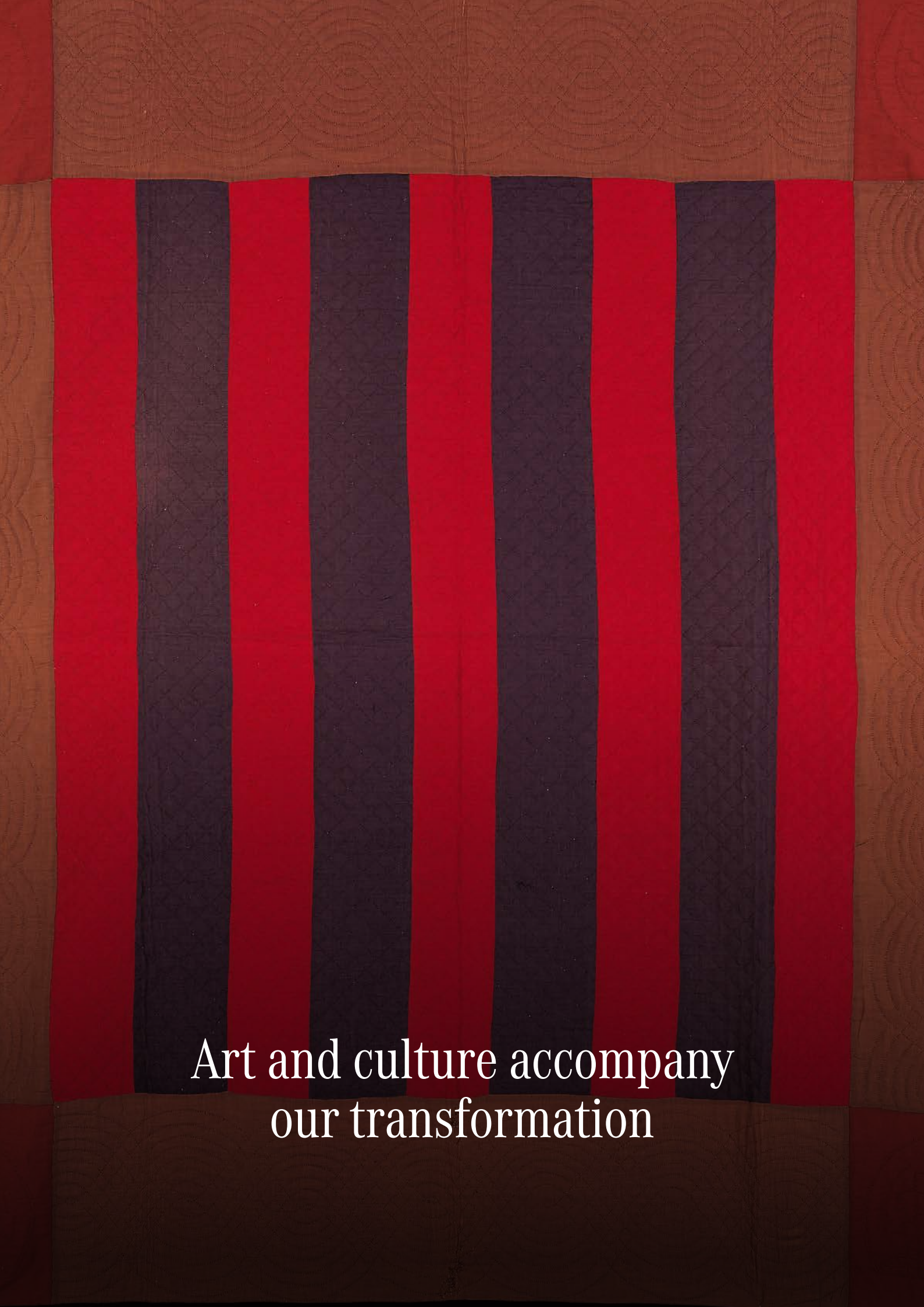
How confident are you that we as a society will successfully implement the mobility revolution really quickly and systematically?

GUIDO GÖRTLER: More than confident. In my view, electric mobility is an outstanding technology. A CO_2 neutral, efficient drive system and impressive performance combined with silence and more space within the vehicle increase not only comfort but also driving pleasure. And this is exactly what it's all about: awakening desires, creating added value and thus helping electric mobility to quickly make its breakthrough as a standard drive system.

CHRISTOPHER GERDES: There's no alternative to climate neutrality. Consequently, all of us are determined to travel the challenging route of the transformation. If society, government and companies all pull together in this respect, we can achieve a great deal.

Guido Görtler
is Head of Mercedes-Benz Strategy Execution and has been employed in various positions at Mercedes-Benz Group AG since 2003. He took up his current position, where he is responsible for the management of the Mercedes-Benz Strategy, in August 2020. He holds a diploma in business administration from the Verwaltungs- und Wirtschafts-Akademie, Stuttgart as part of the dual study programme at the former Daimler AG.

Christopher Gerdes
is Head of the Strategy Development & Intelligence department at Mercedes-Benz Cars. Here, he is responsible for the strategy process and trend observation in the business environment. He worked in various positions in the Product Strategy, Finance & Controlling, Performance Controlling and Divisional Strategy units at Mercedes-Benz Cars and Vans from 2009 until February 2021, before he took on his current post. Christopher Gerdes studied politics and management at the University of Konstanz and in Istanbul and Shanghai.



Art and culture accompany our transformation

On Transformation

„Friendship. Nature. Culture." Taking this as its motto, the anniversary exhibition of the Mercedes-Benz Art Collection in Berlin shows works spanning a period of 100 years. What follows is a conversation between the show's curator and two of its participating artists about engaging with nature, responsibility and the silence of the pandemic.

Buhlebezwe Siwani
Artist

Yuken Teruya
Artist

Dr. Renate Wiehager
Director of the Mercedes-Benz Art Collection

What was the idea behind the exhibition's title?

DR RENATE WIEHAGER: Against the backdrop of the climate crisis and the impact that human action plays therein, it is evident just how intertwined human solidarity, nature and culture are. The title was also inspired by the German-American philosopher Hannah Arendt, who defined friendship as a constant discourse based on the acceptance of difference and diversity. With that in mind, we wanted to give to the ideas of friendship, nature and culture a physical form within the exhibition. We also intended to initiate a conversation about these terms, while looking at them from various philosophical and aesthetic perspectives.

Such as the perspective Yuken Teruya gives us with his series of paper trees that he carves out of paper bags? (see image)

DR RENATE WIEHAGER: Yes. Yuken's artworks remind me of little theatre scenes. These tiny trees absorb you immediately. They are so fragile. You feel afraid that just your breath may destroy what you see. It's a very interesting experience, and also a physical one. Once you delve deeper, you will see that Yuken is sharing a lot of thoughts and research about our throw-away society.

YUKEN TERUYA: Thank you, Renate. Referring to my experience of your Berlin exhibition, "Friendship. Nature. Culture," I felt these different kinds of nature there. I experienced nature from the past, nature from memory. But, also, a new understanding of nature that is inspired by our digital world. Also, I felt a little alarmed about the condition of nature. I felt my responsibility.

Conversations between Companies and Trees

You mean your responsibility as an artist?

YUKEN TERUYA: Yes. I want to share my vision of

Yuken Teruya · Notice-Forest Louis Vuitton, 2019 · Paper bag, glue. 25 x 35 x 11,5 cm, unique object
Mercedes-Benz Art Collection, Stuttgart/Berlin. Acquired 2021

nature and evoke emotions. Showing a tree within a paper bag hints at the fragility of nature. That's an emotional aspect. When people see the tree, they want to protect it. At the same time, the work is a conversation between a company and a tree. A bag can be seen as a part of a company and the tree represents nature. Nature should be protected. And in my view, the bag is also protecting nature and nurturing it. So, I'm glad to be part of the exhibition and I also like to be inspired by other artists. Buhlebezwe's art, for example, deals with the relationship between nature and culture on a different level.

DR RENATE WIEHAGER: Yes, that's right. Buhlebezwe Siwani's work deals with the effects of colonialism in her home country, South Africa. Her art raises questions about past and present spaces and to whom these spaces belong. She's also a very spiritual person. In the exhibition, we see her in a Dutch landscape inviting her ancient ancestors, called "Mnguni," in a kind of spiritual gesture to settle with her in her new country. (see image)

Please tell us a little more about your artwork, Buhlebezwe.
BUHLEBEZWE SIWANI: "Mnguni" refers to a special group of ancestors, who have a human form. Part of my heritage is rooted in that. So, my belief is, whenever I move to another place, like, for example, my workplace in the Netherlands, I also need to introduce this part of my physical self to the new space.

Respect for the Spaces We Live in

Do you perceive different views of nature in the two countries?

BUHLEBEZWE SIWANI: Yes, definitely. Before I went to the Netherlands, I had never seen food for a whole nation being grown in a greenhouse. It was shocking to me. I was used to food grown in fields. Coming from that point of view, it's been interesting to look at how we live and how we treat the planet. I always like to think about responsibility and respect for the spaces we live in. Because the spaces mean something. They mean something to us, and they meant something to our ancestors. Earth is not just earth. The soil means something, as does the air that you breathe. So, these things enter and enable an ecosystem where they feed each other. That's interesting.

What is your personal view on nature?
BUHLEBEZWE SIWANI: I don't know how to answer the question, because in my language, we do not have a single word for nature in the sense of it being a sphere separate from us humans. My understanding is that without it we are null and void. We are nothing if not part of it.

In your art, you often deal with responsibility. Looking at the dimensions and complexity of the current climate crisis, many people feel powerless. How do you see this? What can we do?

BUHLEBEZWE SIWANI: I can answer this very briefly: If we all took responsibility for what we could do,

Buhlebezwe Siwani · Mnguni, 2019 · Inkjet-Print, 3 parts, each 101.9 x 151.9 cm. Triptych, ed. 2/5
Mercedes-Benz Art Collection, Stuttgart/Berlin. Acquired 2021 · Photo: Courtesy of the artist.

surely, we wouldn't be in this position. It's that simple. If we all respected the earth, the climate crisis would not be here. But we can reverse things, too. If you can make one percent of a difference, it will matter.

Yuken, what is your perspective?

YUKEN TERUYA: I agree. Every single person counts. However, responsibility cannot be imposed. It's rather a feeling that should arise in ourselves, from our own spirit and sensitivity. Education helps to confirm and realize what's happening. But if you feel it, it's more real and you can make action based on that. I think a lot about what Buhlebezwe told us about ancestors and the "Mnguni." I saw her work in Berlin. It raised questions and emotions for me about her home country and about the Netherlands. But now, knowing about her ancestors, it gives me other layers of understanding. This is why I think that your responsibility has to be triggered at some point, to make you act with sensitivity. And this is what I think we can do also as artists.

A Responsibility to Move People with Art

You mean that you want to trigger people and make them feel what their responsibility is?

YUKEN TERUYA: Text-based information of course helps to provide access to knowledge. But the visual aspects of an artwork cover much more. I'm also from a background that has strong connections with ancestors. So, to me, responsibility is connected to my background. It brings me another and a very strong reality.

BUHLEBEZWE SIWANI: I agree with Yuken. Everything is tied to each other. It's a symbiotic relationship, where nothing stands on its own. And as Yuken said, it's deeply tied to ancestry as well. We should have kept some of their practices. I feel that a lot of ancient cultures knew better how to respect the earth. As artists, we have the responsibility to show what is happening, to make a statement about it. If art doesn't move people, why should it exist?

Do you think that we have lost our connection to nature?

YUKEN TERUYA: No, there is still connection. We are sensitive, our awareness and subconscious are still part of nature. But there are also many noises and disturbances, so these feelings can get lost. Stimuli like those from the Mercedes-Benz Art Collection exhibition in Berlin make us think about these issues. Artists and curators can bring people together and help us move forward.

A Space for Conversation

What can art do which facts cannot?

BUHLEBEZWE SIWANI: Art can speak without words.

YUKEN TERUYA: Yes. And it opens up the imagination.

DR RENATE WIEHAGER: Within the framework of an art collection, it's a space for conversation, ideas and vision.

Are you confident that we as humanity will succeed in making the transition to a more sustainable future?

YUKEN TERUYA: There is no choice. But how we will make it, there are many ways to act. I will be hopeful and try to create a vision of how this future can come to be.

BUHLEBEZWE SIWANI: People tend to only think and care within their own lifespan and not further on. However, I want to live in hope. Surely, the earth knows how to survive. She is able to adapt.

YUKEN TERUYA: And we can learn to adapt as well. Thinking of the covid-19-pandemic, a lot of people, especially in the cities, appreciated that there were less noises and emissions. To me, it was like an unexpected discovery.

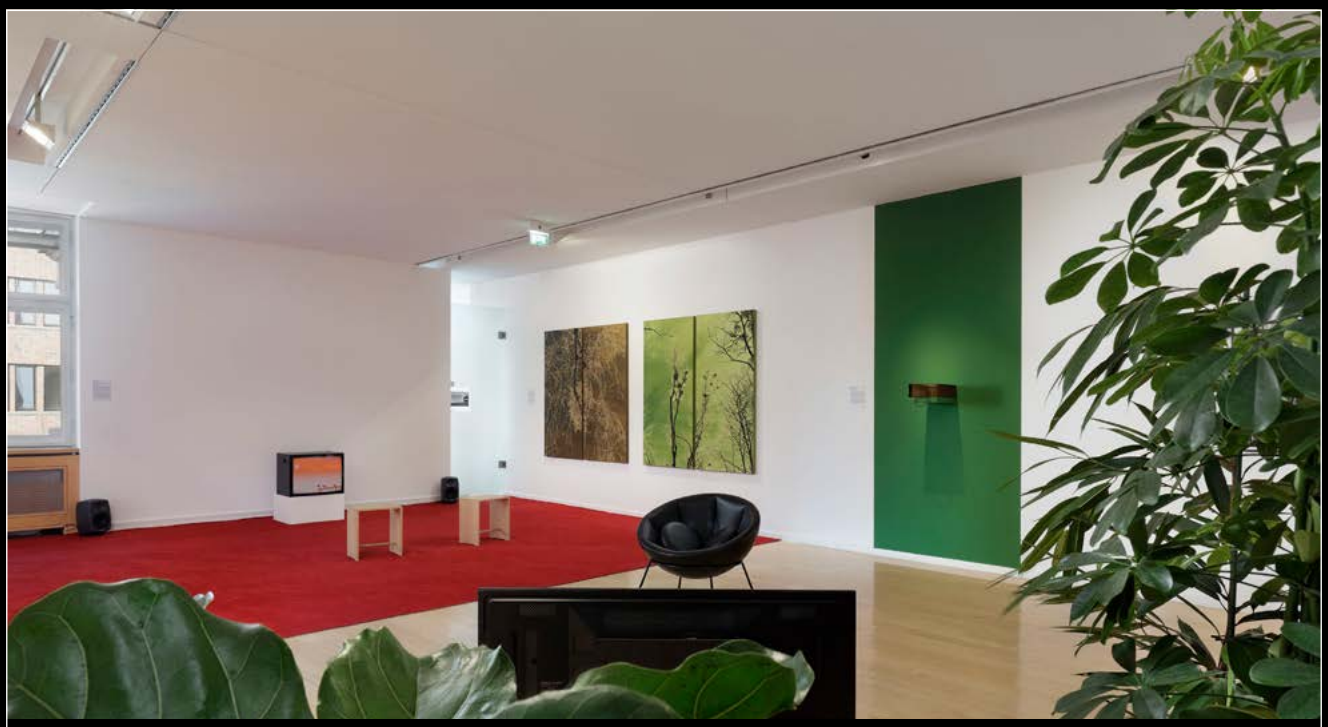
BUHLEBEZWE SIWANI: People need to learn how to be still. Actually, in South Africa during covid-19, there were animals coming out that I had never seen before. They were free to move around. We share this place. It doesn't belong to us. We are in it together.

Buhlebezwe Siwani
is active predominantly in the mediums of performance and installations. Siwani often uses videos and stills as stand-ins for her body which is physically absent from the space. The artist lives and works in Amsterdam and Cape Town.

Yuken Teruya
works with various materials such as paper rolls, paper shopping bags and butterfly chrysalises. His ideas often reflect the life and history of his home country Japan's Okinawa prefecture. He is an artist based in Berlin and New York City.

Dr Renate Wiehager
has been the director of the Mercedes-Benz Art Collection in Stuttgart and Berlin and of the Mercedes-Benz Contemporary exhibition space in Berlin since 2001. She was born in Bremen in 1959. She studied art history, theology, literature and philosophy. She has published over 250 publications on international contemporary art as well as about 300 papers on 20th-century and contemporary international art in professional journals, anthologies and catalogues.

Mercedes-Benz Art Collection



The Mercedes-Benz Art Collection provides an open space for discussion of contemporary issues and phenomena. It is designed for both employees of the company as well as members of the public interested in art. The Mercedes-Benz Art Collection is continuously being expanded and thus also reflects current developments in art.
More information on the Mercedes-Benz Art Collection can be found at mercedes-benz.art.

Our investors focus on ESG criteria

We admire how the NGOs have drawn people's attention to the climate

What criteria do sustainability-oriented investors use to decide who they give their money to? And what changes will the new EU taxonomy bring for the capital market and the affected companies? Antje Schneeweiß, Secretary of the Working Group of Church Investors in the German Protestant Church, and Andreas Kusche, Investor Relations Manager and ESG expert at the Mercedes-Benz Group, are discussing two perspectives on a current issue.

Antje Schneeweiß
Secretary of the Working Group of Church Investors in the German Protestant Church

Andreas Kusche
Investor Relations Manager and ESG Expert at Mercedes-Benz Group AG

Ms Schneeweiß, what criteria do companies have to fulfil in order to be a sustainable investment for the Arbeitskreis Kirchlicher Investoren?

ANTJE SCHNEEWEISS: Our members are institutional investors, such as pension funds, who pursue a rather conservative investment strategy. They focus on highly capitalised companies. However, our investment policy precludes certain companies, such as arms manufacturers. We also exclude the tobacco, gambling, coal and fracking industries. Companies that are suspected of systematic human rights violations are excluded as well. In general, good ratings in the areas of human rights and climate are very important to us.

How do you determine a company's specific environmental and social performance?

ANTJE SCHNEEWEISS: We do so on the basis of ratings from rating agencies. We communicate directly with other parties regarding issues that we consider to be particularly important. With the aim of working together to further reduce CO_2 emissions, we initiate dialogues with companies and try to achieve improvements in cooperation with the non-profit organisation CDP. Over the past two years, we have also had an intensive exchange with automakers including Mercedes on the issue of human rights in the supply chain. The churches have many partners in resource-rich countries and therefore also have considerable knowledge concerning local conditions.

The abbreviation ESG stands for Environmental (E), Social (S) and Corporate Governance (G). The non-financial ESG criteria are used to evaluate investments or corporate practices.

More momentum for sustainable investments

Mr Kusche, let's switch the perspective. What do investors demand of Mercedes-Benz?

ANDREAS KUSCHE: We have a very differentiated shareholder structure that includes three major shareholders, around 50 percent institutional investors and around 20 percent private investors. The requirements correspondingly vary. Pension funds, in particular, pay attention to the dividend yield and the long-term minimisation of investment risks. ESG- based investment approaches are of interest to them because they don't just focus on key financial indicators, but also take into account other opportunities and risks. However, some changes are now also occurring at hedge funds, which generally tend to act more in the short term. There is thus considerable momentum with regard to sustainable investments and we at Mercedes-Benz are aligning ourselves accordingly.

How do you handle disparate requirements?

ANDREAS KUSCHE: I think we are well positioned to meet all requirements, even though the range of demands is certainly broad. In addition to our large and long-standing shareholders, such as the Kuwait Sovereign Wealth Fund, which has held a stake in our company since 1974, more than half of our shareholders are institutional investors. Among other things, they want to use their commitment to advance global sustainability goals, such as faster decarbonisation. We can also serve them well with our alignment with ESG criteria and with our green bonds.

Challenges associated with the assessment of social criteria

Ms Schneeweiß, does your initiative also focus on the ESG criteria so that the investment strategies take environmental and social risks into account?

ANTJE SCHNEEWEISS: Yes, very much so. The climate has become a crucial concern over the last three to five years. As a result, every investor now realises that failing to take a company's climate-related risks into account can lead to big losses. Moreover, climate-related activities are easily quantifiable because CO_2 contingencies can be calculated and consumption can

be measured. Some social aspects are more difficult to express in numbers. In addition, it's not always clear who is actually responsible. Germany's Supply Chain Act is an initial important step in this respect. Nevertheless, rating agencies often assess social performance in widely divergent ways and this causes uncertainty among investors.

ANDREAS KUSCHE: I agree. When it comes to decarbonisation, the Greenhouse Gas Protocol (GHG) is a carbon accounting standard that enables a basic comparability. However, with respect to social sustainability, transparency and trust are important benchmarks. In many cases, the processes in question extend far down the supply chains and external parties might find it hard to determine their impact.

ANTJE SCHNEEWEISS: It's not just in the supply chains, but also in the direct vicinity of the companies that the transition to a climate-neutral society poses a variety of social challenges. The EU uses the expression 'just transition' for this. The way employees are treated plays a key role here. I'm sure that ESG-focussed investors also look closely at companies like Mercedes-Benz from this angle.

ANDREAS KUSCHE: Of course. Especially in our industry with changed job profiles, this aspect is elementary. We are cooperating closely with the works council to make the transition to an electrified and digitalised world fair and socially acceptable. In addition to training courses and further education measures, we are also focussing on the recruitment of new talents for the software segment, for example. We are also in discussion with the municipalities that are affected by the restructuring of our facilities. We have a clear strategy and appropriate goals and measures for all of these areas.

Potential for improvement for labour rights

Are there any other social topics that will receive more attention in the future?

ANTJE SCHNEEWEISS: The way data is handled in a networked world is becoming an increasingly important issue for consumers and consumer protection organisations. At the same time, we must not forget that the big social issues, such as living wages and child and forced labour, are still given too little attention. That's not the case with regard to the climate. We admire how the NGOs have drawn people's attention to this topic with the support of the scientific community. Unfortunately, we don't see such progress when it comes to labour rights. The situation of trade unions has even tended to worsen in many countries.

What role does the active exercise of shareholder rights play in also influencing change in this area at companies?

ANTJE SCHNEEWEISS: The exercise of the voting right is especially important for our large institutional investors. Here we work together with voting rights consultants. In addition, we engage in the dialogues mentioned earlier. The next one will address Germany's Supply Chain Act. Our aim is to encourage companies to conscientiously fulfil the requirements. Unlike ratings, such discussions generally go into great depth. They enable us to ask questions and receive replies, and that's exactly what provides us with guidance.

Do these dialogues also produce concrete results?

ANTJE SCHNEEWEISS: Our experience so far has been mostly positive. We have also talked three times with Mercedes about the environmental and social risks associated with the procurement of raw materials. I remember the high level of expertise of the participants as well as their commitment to human rights issues. Ultimately, it's crucial how influential these committed experts are within the company.

ANDREAS KUSCHE: Human rights issues are a top priority at our company. The dialogue with investors helps us to continually generate a corresponding momentum within the company. In general, whenever investors pursue a specific goal, it will sooner or later become relevant for the company's supply of capital.

ANTJE SCHNEEWEISS: That gives me hope.

With the taxonomy rules, the EU Commission sets universal standards for ecological management. The aim is to channel money flows into sustainable technologies in order to achieve the goal of climate neutrality by 2050.

The EU taxonomy improves comparability

How exactly does the EU taxonomy affect your company? Will you only focus on activities that conform to the specified criteria in future?

ANDREAS KUSCHE: We have set the course for 2030 and we want to be all-electric by then, wherever market conditions allow. In doing so, we're also following the requirements for emission limits for sustainable vehicles in terms of EU taxonomy. Plug-in hybrids and battery-electric vehicles are to account for 50 percent of our unit sales by 2025. We want to align our capital allocation accordingly. However, I think that the actual achievement of the EU taxonomy is that companies will also have to communicate the financial benefits of their sustainability activities in the future. This will improve comparability. Within the company itself, it will cause the finance and sustainability units to become more closely coordinated. We're very curious to see how this new transparency affects investment behaviour.

To conclude, I'd like you to just give your personal opinions. How do you define sustainable mobility?

ANTJE SCHNEEWEISS: I didn't get a driving licence until I was 42, and I have to admit that I probably never will become a car enthusiast. For me, sustainable mobility primarily takes place in public transport.

ANDREAS KUSCHE: There also has to be a range of different forms of mobility.

ANTJE SCHNEEWEISS: Exactly. That's especially the case in rural areas. Unfortunately, local public transportation has been gradually cut back in our region. I think this was a mistake, especially with schoolchildren in mind. The first step should therefore be the revival of public transportation, also in rural areas, and the development of new concepts. Wherever that doesn't make any sense, there's space for individualised transport that ideally should be electric.

ANDREAS KUSCHE: As long as there's a charging station, out in the countryside.

ANTJE SCHNEEWEISS: I'm confident that will be the case. Our municipalities have already noticed that

tourists who make day trips won't come if they can't recharge their vehicles anywhere.

The future of sustainable mobility

Mr Kusche, how do you define sustainable mobility?

ANDREAS KUSCHE: For me, it's a combination of mobility options — in the area of public transport as well as in individual transportation. And this combination should, in turn, be organised in such a way as to have as few negative effects as possible. This pertains not only to the environment but also to social aspects. With regard to automobiles, it's important to examine the impact of mobility throughout a vehicle's life cycle. The social aspects we've previously mentioned also have to be taken into account.

Are you convinced, Ms Schneeweiß?

ANTJE SCHNEEWEISS: For me, the most convenient kind of mobility enables me to simply sit down and not have to worry about anything else. I guess that this will probably be possible in a Mercedes-Benz someday as well?

ANDREAS KUSCHE: Yes, although this will still take several years. However, you're welcome to gain some initial experience with the new S-Class, which is coming out in 2022.

ANTJE SCHNEEWEISS: Let's agree that automobiles will certainly not disappear entirely. Nor should they, because in some areas they make sense.

Thank you very much for this interview.

Andreas Kusche
is Investor Relations Manager and ESG expert at the Mercedes-Benz Group AG. Here he is responsible for capital market communications concerning the ESG factors. He has a degree in engineering management, mechanical engineering/vehicle technology and controlling. Andreas Kusche joined the Mercedes-Benz Group AG in 2006 and has worked in his current position since 2019.

Antje Schneeweiß
is the Secretary of the Working Group of Church Investors in the German Protestant Church. She has been working in the field of sustainable investments for more than 30 years. Among other things, she has published a book titled Kursbuch Ethische Geldanlagen (Guidance for Ethical Investment) on the topic. Since 2020, she has reported for the Social Taxonomy subgroup on the European Commission's Sustainable Finance platform.

An effective and successful transition is one that is just and equitable

BlackRock, the world's largest asset manager, has a clear ambition: The company wants to accelerate the transformation to a climate-neutral society without leaving people behind along the way. In an interview Paul Bodnar, Global Head of Sustainable Investing at BlackRock, outlines the conditions for a just transition and the important role of governance.

Paul Bodnar
Managing Director and Global Head of Sustainble Investing at BlackRock

From an investor perspective: What demands does a shift towards more sustainable business models require from the automotive industry – and Mercedes-Benz in particular?
First and foremost, the global energy transition – and more broadly, the transition to a net zero global economy – is going to impact every industry's business model. From an investor perspective, companies need to be able to demonstrate that their long-term strategic plans are resilient through the transition. That is, as governments enact policies to support the transition, consumer preferences change, and new technologies emerge, how are the companies going to continue to deliver value to shareholders over the long-term? Those that are unable to adapt may see declines in their valuations. The transition is already well underway in the automotive industry, as our CEO, Larry Fink, recently highlighted in his most recent letter to CEOs. Innovative – and disruptive – new companies have entered the market, and today every car manufacturer is pivoting towards electric vehicle manufacturing. EV sales in some countries doubled last year from the previous year, reaching ten percent of global sales, and projections estimate all-electric vehicles to make up over half of new vehicle sales by 2030. This is a dramatic pace of change for an industry with long product planning lifecycles. Mercedes-Benz has certainly been a prominent leader not just in target-setting but aligning capital plans by moving new vehicle architectures to all-electric after 2025 and spinning off the trucking division to focus more on hydrogen powertrains.

Transformation can only succeed if it involves as many stakeholders as possible (decision makers, politicians, etc.) and if broad political and societal consensus is upheld. Can the transformation prove effective without jeopardizing the other two?
At BlackRock, we talk about this a lot. For us, an effective and successful transition is one that is just and equitable, meaning it doesn't disproportionately harm or leave behind vulnerable communities. For example, we need to continue to ensure that reliable and affordable energy is available to all communities, not just those in windy or sunny regions. From the automaker's perspective, EV-based vehicle platforms may support fewer manufacturing or maintenance jobs. What does that mean for the communities in which the manufacturer is the largest employer? As companies adjust their strategy to align with the net zero transition, it's important that they take a stakeholder-centric approach. But clearly, the private sector cannot address all of these issues on its own. Governments, in particular, need to take a leading role in the transition by providing clear pathways and consistent policies and by supporting the development of new technologies that aren't viable today. As investors, we believe that a more favorable macro-environment from an orderly transition to net zero will benefit companies and ultimately our clients, the shareholders. But failing to move forward in the transition together as a whole society risks creating polarization, resentment and inequality, which will stymie progress.

What is most important for BlackRock when it comes to the transformation of the automotive industry and considering ESG criteria?
Every industry operates in the context of evolving societal expectations about the role of companies in advancing sustainability objectives. As a shareholder of public companies on behalf of our clients, BlackRock is focused on how companies are positioning themselves to generate long-term financial value for shareholders amidst these changes. Much of it hinges on effective leadership and governance. As automakers shift their business strategies, it's important to ensure that they have the right governance model in place to oversee the new strategy. Do they have directors with appropriate expertise on their boards? How are they managing the risks inherent in new technologies? Does it make sense to combine or separate certain businesses? Not every automobile company is going to look the same. It's up to the board and management to cast a critical eye at these issues and make sure that they're prepared for the transition.

Paul Bodnar
is Global Head of Sustainable Investing at BlackRock and Managing Director, driving BlackRock's leadership in sustainable investing. He previously served as Chief Strategy Officer at RMI as well as Special Assistant to President Obama and Senior Director for Energy and Climate Change at the National Security Council. Additionally, Paul Bodnar has been U.S. lead negotiator for climate finance at the State Department. Earlier in his career, he was Director for Carbon Finance at Climate Change Capital. He founded the Center for Climate-Aligned Finance; helped to establish the Mission Possible Partnership; and was co-founder and partner at Vertis Environmental Finance. Paul Bodnar holds a BA from Stanford and an MA from Harvard, both in international relations.

We learn from our stakeholders

The relationship of trust between us and our stakeholders has grown

They are the trend indicator when it comes to current developments in sustainability, whether they be regulatory, social or technological. They combine the external requirements that the Group has to meet with its internal goals and business strategy. In addition, they advise and support the specialist units in considering sustainability aspects within their work. Nicole Susann Roschker directs sustainability management at the Sustainability Competence Office in cooperation with the Corporate Environmental Protection department, while Dr Wolfram Heger is responsible for Stakeholder Management at the Mercedes-Benz Group. In the following interview, they talk about the modus vivendi with non-governmental organisations (NGOs), the value of materiality analysis and the limits of corporate influence.

Wolfram Heger
Head of Stakeholder Management at Mercedes-Benz Group AG

Nicole Susann Roschker
Head of Sustainability Management & Sustainability Competence Office at Mercedes-Benz Group AG

Ms Roschker, Dr Heger, what are the most important sustainability topics for the future of the automotive industry that you and the stakeholders have to keep an eye on?

DR WOLFRAM HEGER: The priorities are manifold — starting from environmental protection, human rights and responsible supply chains to issues of social cohesion. In the future, we will address these issues even more strongly on the societal level than before. This means that we will look into what causes, social interdependencies and possible solutions exist in these areas.

NICOLE SUSANN ROSCHKER: In addition to human rights and climate protection, one of the top issues for the Mercedes-Benz Group is resource conservation. We can't address climate change and resource use separately from the question of social justice. This is demonstrated, for example, by current regulatory developments such as Germany's Supply Chain Act. Making a supply chain sustainable requires far more than just respecting human rights. Social and environmental aspects have to be addressed holistically and risks have to be avoided or limited along the entire value chain — from the raw material sources

We focus on SDGs 8, 9, 11, 12 and 13, as these are the areas where we can add the most value. In this way, we are further expanding the contribution of our business activities to the achievement of the UN Sustainable Development Goals.

all the way to recycling. This will also be reflected in the statutory requirements that we expect the EU to introduce in 2022. In addition, we have to meet the expectations of investors, who are increasingly focussing on ESG factors as well.

You ask internal and external stakeholders to contribute to the materiality analysis that is used for weighting sustainability topics. What role do the United Nations' Sustainable Development Goals (SDGs) play in this context?

NICOLE SUSANN ROSCHKER: A very decisive one. As corporate citizens, companies are part of society and their activities have a positive or negative impact on its sustainability goals. We have therefore evaluated the effects that our business activities have on the SDGs (SDG impact analysis). Our cooperation with partners from the business community, society and government creates impulses far beyond our product that have an impact on society. Among our partners are companies, think tanks, universities and municipalities; each of these collaborations makes a contribution. At the same time, we examine how we can improve, for example in the supply chain or at our plants. We continue to work with the insights gained.

Are there any aspects that evolved to an especially great extent in 2021?

NICOLE SUSANN ROSCHKER: Yes, the much more ambitious electrification targets of our Ambition 2039 in the car sector, according to which we want to make the whole value chain of our new car fleet CO_2 neutral by 2039. Last year, we further reinforced this goal by taking the strategic step from "electric-first" to "electric-only". In addition to a number of other factors, the results of the materiality analysis contributed to the

company's decision to switch to battery-electric drive systems by the end of this decade, wherever the market conditions allow. External and internal stakeholders classified climate protection as the most relevant area of action.

DR WOLFRAM HEGER: I want to emphasize that we've been working on these goals for quite some time. I think our continuous and longstanding stakeholder dialogue with civil society and the Advisory Board for Sustainability and Integrity has contributed to the fact that today we have a Human Rights Respect System, effective data protection, Ambition 2039 and our electric-only approach.

Why is the external viewpoint so important for the analysis?

DR WOLFRAM HEGER: External experts, such as those from non-governmental organisations and our Advisory Board, provide us with very frank 'food for thought' and contribute their specific expertise to the further development of our strategy and operational processes. With the aim of making progress on these issues, we organize the Sustainability Dialogue, in which the external experts voice their positions, express criticisms and expectations of Mercedes-Benz very clearly. And that's how it should be, because they continuously help us to determine what we can improve. This makes our stakeholders indispensable sparring partners and I expect them to become even more important in the future.

NICOLE SUSANN ROSCHKER: This trend is also evident in the fact that our Advisory Board is regularly consulted in between board meetings on a wide range of specialist issues. We greatly appreciate this dialogue because the discussions with external experts, who bring a different perspective, help us to make considerable progress.

What role did NGOs play in the materiality analysis?
NICOLE SUSANN ROSCHKER: NGOs are a key stakeholder group that contribute to all four components of the analysis: the desk analysis, the SDG impact analysis, the stakeholder surveys and the interviews with experts. The NGOs are driving many developments, including legislation.

The materiality analysis helps determine which sustainability issues are particularly relevant for the Group and its stakeholders. The analysis consists of several components: a comprehensive competition and media analysis, regulatory requirements and information relevant to capital markets, and among others an online stakeholder survey.

When NGOs make demands or suggestions, how do you incorporate them into your strategy and processes?

NICOLE SUSANN ROSCHKER: The materiality analysis underpins our strategy process. For every topic that our stakeholders mention in the analysis, we conduct an in-depth analysis that addresses the risks, opportunities and key trends. We ask ourselves how to address a given topic at the company in the best manner. We not only present our analysis in the Group Sustainability Board, but also prepare the findings for all of the departments and interdisciplinary working groups in our strategic areas of action. In this way, the results of the materiality analysis contribute to the further development of our strategy. We then derive operational measures and use performance indicators to assess the results.

DR WOLFRAM HEGER: A practical example of this is our Human Rights Respect System, which we have repeatedly mirrored in cooperation with external stakeholders over many years. In doing so, we take up suggestions and discuss dilemma situations, but also sharpen processes and KPIs and adjust them. We haven't adopted every idea, but very many — because they're helpful and we have a common objective in mind. So this dialogue is extremely important to us.

That sounds like a trustworthy working relationship.

DR WOLFRAM HEGER: Absolutely. That wasn't always the case. However, the regular discussions, including those conducted during 14 years of Sustainability Dialogues, have gradually led to the growth of a trusting relationship. As a result, today we have a good relationship with almost all stakeholder representatives, given that they are interested in a constructive dialogue. There is a certain modus vivendi, which is based on reliability, trust and mutual respect. This enables us to address critical topics and jointly deliberate them. Incidentally, honest dialogue also includes pointing out the limits of our corporate influence.

More than 200 representatives from politics, business and society came together at the 14th Daimler Sustainability Dialogue on 17 and 18 November 2021.

At the same time, you, as a company, use national and international mandates in order to present your positions to governments.

DR WOLFRAM HEGER: That isn't a contradiction — on the contrary. The regulatory framework is established by the political institutions that are legitimately entitled to do so. Together with other stakeholders, we can present our positions via mandates such as those of the UN Global Compact, the World Business Council for Sustainable Development and econsense. In this way, it is perfectly legitimate to demonstrate towards politics what we can realistically achieve.

Let's get back to the materiality analysis: where has a stimulus led to a concrete strategy?

NICOLE SUSANN ROSCHKER: Our focus on resource conservation, for example, can be traced back to the analysis. We held intensive discussions with the Procurement unit in order to determine to what extent we should set corresponding goals for our suppliers. How we could cooperate with them to greatly improve resource conservation and climate protection along the entire value chain was also part of the discussions. This also includes checking whether the Supplier Sustainability Standards are still sufficiently ambitious and continuously developing them further.

Do you also see your in-house role as explaining stakeholder interests to others?

DR WOLFRAM HEGER: We see our role as translating society's current expectations for our company. However, we also see ourselves as a source of information and impulses for future sustainability developments. For example, we provide specialist units with advice on how they can plan and shape their measures. Like sustainability as a whole, this task isn't a sprint, but rather a marathon.

NICOLE SUSANN ROSCHKER: We bring internal and external viewpoints together when we pass on what we hear in discussions with our stakeholders to the various specialists at our company.

In 2021 you held the 14th Daimler Sustainability Dialogue with stakeholders. This was the last such dialogue to date. Will this format be continued in 2022?

DR WOLFRAM HEGER: Definitely. We are constantly developing the content of the dialogue and are also planning an anchor event in 2022. We are currently developing the details — and we're also considering additional smaller dialogue formats and discussions on special topics. Above all, it is important to be in continuous exchange. We will continue to do everything in our power to contribute to the sustainable orientation of the company in dialogue with our stakeholders.

Dr Wolfram Heger
is responsible for external stakeholder management, including the Sustainability Dialogue and supporting mandates, for example in matters involving the UN Global Compact at Mercedes-Benz Group AG. His team channels external momentum onwards internally and addresses future sustainability topics. He has been with the company since 1998. Before then, he studied economics and politics and received his doctorate for his work on value-oriented internal communication.

Nicole Susann Roschker
mainly looks after the development of strategy and governance for sustainability as well as the area of sustainable finance at Mercedes-Benz Group AG. She is currently carrying out a new materiality analysis. Together with her colleagues from Corporate Environmental Protection, Roschker is responsible with her team for the Sustainability Competence Office, the working body of the Group Sustainability Board. She successfully completed her MBA in Sustainability Management at the Leuphana Professional School in Lüneburg in 2012 and has been active in the field for many years.

What we need now is a courageous and emboldening policy

The NGO Germanwatch is one of the stakeholders with whom the Mercedes-Benz Group AG is in a continuous exchange. This portrait is about the Chairwoman of the Board of Germanwatch, Silvie Kreibiehl, and her view on the results of COP26, the mobility revolution, climate justice, legislation and sustainable luxury saloons.

Silvie Kreibiehl
Chairwoman of the NGO Germanwatch

At the 26th United Nations Climate Change Conference (COP26) in Glasgow in November 2021, the Mercedes-Benz Group AG committed itself to discontinuing combustion engines by 2040. This was an important signal for other companies, says Silvie Kreibiehl, Chairwoman of the Board of Germanwatch[1]. "When companies communicate such goals, it helps raise people's awareness," says Kreibiehl, 45, who noticed at COP26 that businesses are now extremely active in this regard. However, apart from an agreement between several industrialised countries and South Africa, the conference in Glasgow made almost no progress with regard to the good international cooperation with, or the support of, partner countries that take political approaches to incorporating social justice into the energy transition programmes for combating climate change. "In order to counteract the climate crisis, governments, businesses and society need a shared mission and have to invest at the same time. This requires a strong commitment and considerable trust between all of the market players." Considering the automotive industry's complex supply chain, the Ambition 2039 strategy of Mercedes-Benz as an OEM is as ambitious as it is helpful. Since then, the targets have been tightened even further. "When the economic risk becomes more tangible, the suppliers react too. That's something we see quite often."

Emboldening visions and a mobility allowance instead of a commuter allowance

As a coordinating lead author of the Sixth Assessment

1 Germanwatch: This German non-governmental organisation (NGO) works for global equity and the preservation of livelihoods. In addition, it contributes to national and international climate-protection policies. Other core topics include corporate responsibility and education for sustainable development as well as global nutrition, land use and trade. It is considered one of the leading NGOs in the automotive dialogue.

In November, Mercedes-Benz, together with 33 countries, 40 regions, cities and regional governments as well as 38 companies from around the globe signed the COP26 "declaration on accelerating the transition to 100% zero emission cars and vans".

Report of the Intergovernmental Panel on Climate Change (IPCC), Kreibiehl knows exactly how high the investment needs are and what is driving the individual sectors. She points out that in order to buffer a rebound effect during the switch to electric mobility, governments should introduce not only purchasing incentives but also bonus/malus systems in addition to a general mobility allowance instead of a commuter allowance. "However, the mobility transition requires more than just electric mobility. It calls for changed behaviour and a better infrastructure," says Kreibiehl, who now uses a cargo bike to travel around in her place of residence near Frankfurt. In addition to technologies, a good charging infrastructure, more bicycle paths and an expansion of local public transport are just as important as changing everyone's behaviour, according to Kreibiehl. "We have to make this desirable. What we now need is a courageous policy that also gives encouragement. I miss more visionary leaders in business and governments who say: 'Look here. This is how we can live and what we can do; we'll be better off!'" Kreibiehl is deeply convinced of this: "Our world will become better if we do so. However, in this regard we need catchy images that encourage people and tell a vision."

Goal-oriented politics and a desire for transformation

According to Germanwatch, a lot is happening on the corporate side. "Many companies have committed managers who redirect large companies", says Kreibiehl. Germany and its companies are ideally positioned for a rapid transformation, she says, speaking as an expert in climate finance. This change will strengthen Germany's economy if business continues to make innovative investments in this field. The best steering instrument for governments is to create transparency and set explicit long-term goals and short- and medium-term milestones to clearly define what needs to happen for the transition of mobility and attainment of climate neutrality, says Kreibiehl. "The next five years will be crucial for us in order to still achieve the global 1.5-degree target. We now need a significant reduction in greenhouse gas emissions very quickly, so that we don't exceed the remaining CO_2 budget. This means that we have to avoid all lock-in effects because they are too expensive and delay everything." In order to explain this to the people, it was very helpful that, in April 2021, Germany's Constitutional Court ruled in favour of key parts of a constitutional complaint regarding the Climate Protection Law that

had been submitted by a group of young people. The individual stakeholders have to greatly trust one another if we are to achieve the necessary reductions. However, the most important thing is to get people to want the transformation. "This will create a competitive situation within society where people will try out new things and lose their fear of change. When that happens, transformation can occur faster than expected. Although it might be inconvenient at first, if I can no longer enter the city centre with my combustion engine car. However, after a while I find it normal to take a tram into town, especially when I'm familiar with the connections and start to enjoy the benefits of car-free city centres."

Resolving the supposed contradictions between capital and climate protection

Not doing or buying something can be "incredibly liberating" says Kreibiehl, who has an integrated master's degree in business administration. She herself has already decided to make a big change in her life: at the age of 30, she was a successful investment banker for corporate finance and sustainability at Deutsche Bank, where she earned a six-figure salary. Although she benefitted from a steep learning curve and exciting projects, she nevertheless decided to contribute her skills elsewhere in society. In 2007, she therefore applied at Deutscher Entwicklungsdienst (German development service) to supervise a microloan project in Uganda. However, her supervisors at the bank wanted to keep her. She then decided to spend a six-month sabbatical at a Ugandan village near the border to Congo. Here, she lived under very basic conditions. Although it might seem to have been a complete turnabout, it was rather a "getting back to the roots", Kreibiehl says in retrospect. That's because she originally wanted to study tropical agricultural economics and then work in cooperative development aid.

As an investment banker, she gave solar power companies access to the stock exchange. "Back then, you still had to explain to investors what a feed-in tariff is." As Chairwoman of the Board of Germanwatch, she now knows that capital and climate protection have to go hand in hand. "You won't be able to achieve a transformation if you don't finance companies," she says. "Moreover, the transformation will not succeed without a capital market. I think we have to stop emphasising supposed contradictions."

For Kreibiehl as the mother of a three-year-old daughter this is also about a socio-ecological transformation in terms of global justice. "It will make you want to enjoy nature. Experiencing more extreme weather phenomena won't be enjoyable, however. Even city life will be different, but more pleasant. Once we have more global justice, I won't have to always think whether the things I buy might cause someone to suffer," she says. Many countries need technology transfers, capacity increases and much more besides. "However, we also have to address the causes of existing wealth gaps, for example in trade agreements."

Extreme weather events such as heat waves, cold snaps or heavy rainfall are increasing due to climate change.

EU taxonomy increases the awareness of investors and financial market players

The first part of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, published in summer 2021, clearly describes the regional effects of climate change and what these mean, among other things, for the economy and its supply chains. According to Kreibiehl, one of the major achievements of Germanwatch in 2021 was Germany's Due Diligence Act (Sorgfaltspflichtengesetz), which is also known as the Supply Chain Act (Lieferkettengesetz). Kreibiehl says: "This is a paradigm shift from voluntary to mandatory measures when it comes

to respect for human rights in global supply chains. Companies are already taking this topic much more seriously than before."

The Human Rights Respect System initiated by the Mercedes-Benz Group, which aims to ensure respect for human rights throughout the supply chain, is "exactly what we need" as a risk-based approach, she says. A company must begin to take action where it sees the biggest human rights risks in its own business activities. This is also the approach taken by the Supply Chain Act. Kreibiehl says: "The focus really has to be on the people in the affected areas. It's important that the risks do not depend on whether they are direct supplies or those further down the supply chain."

"A taxonomy that defines the sustainability of investments can have a huge pull effect," she adds. "More and more investors will take sustainability risks into account." Kreibiehl then expects asset managers to come under pressure to take ESG criteria not only as a reporting tool but also as a steering instrument. According to Kreibiehl, the taxonomy will help sharpen the focus and become more transparent and concrete. After all, by no means all investors would already realise yet how extensively and quickly companies need to realign. She further points out that the taxonomy requires vehicles to be emission-free from 2026 in order to be considered sustainable. This would be an important, even if insufficient, component for the transformation of mobility. Not only the climate taxonomy but also the social taxonomy would be important in the future.

Luxury sedans as early movers for sustainable innovations

According to Silvie Kreibiehl, the mobility sector will also have to reduce its demand for raw materials if the transformation to a sustainable, CO_2 neutral economy is to be a success. "Unfortunately, many technologies — especially those in the energy sector — have a high consumption of metallic and mineral raw materials. That's why the circular economy targets are so important for the energy sector and a reduction in raw material consumption is so fundamental", says Kreibiehl. "If a luxury saloon is manufactured from recycled materials, it becomes an early mover for innovations that will later be launched on the mass market. However, such a car must not become a fig leaf for much more far-reaching changes in lifestyle and consumer behaviour."

In this context, Kreibiehl also finds a different pricing policy intriguing: "It would be interesting to consider whether the environmental impact should be incorporated into the production costs of the various models as a sort of shadow price. In the end, the more sustainable vehicle would be somewhat cross-subsidised by the other vehicle, but the price signal will be more appropriate."

Silvie Kreibiehl
has been Chairwoman of the Board of the German NGO Germanwatch since 2019. She holds a diploma in business administration, is an expert in climate finance and is the coordinating lead author of the Financing chapter of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).


We rethink mobility policy

Especially now, the force of argumentation is paramount

Eckart von Klaeden represents the interests of Mercedes-Benz in the political arena. He earns his bread and butter by working with governments, associations and NGOs to find the biggest possible overlap between the common good and corporate interests. We asked von Klaeden five questions in order to find out what constitutes a climate-compatible transportation policy, how he views prohibitions, and why lobbying contributes more to good solutions than its reputation might suggest.

Eckart von Klaeden
Lawyer and Head of the External Affairs department at Mercedes-Benz Group AG

Mr. von Klaeden, new mobility offers ranging from e-scooters to carsharing are launched on the market every day. Why is a private car still many people's favourite mode of transportation?
When I received my driver's licence 40 years ago, it would've been much cheaper for me even back then to use public transportation instead of buying my first car. But I decided to buy a car nonetheless — just like the many people who still do the same thing today. They do this for multiple reasons. A car safely takes me wherever I want to go at any time of day or night — while providing comfort and driving pleasure. Besides, two thirds of all Germans live in rural areas, where public transportation systems are extremely unlikely to ever offer a service that could replace the car. Consequently, discussions that fundamentally question the need for private cars are often conducted from an urban perspective. However, if we want transport to be successfully transformed into CO_2 neutral mobility, we have to consider everyone's needs and safeguard the advantages of individual mobility. That's also a key requirement for public acceptance. Political ideas that aim to use climate protection policy for socio-political re-education won't benefit anyone — neither mobility nor society nor climate protection.

The concept of the car-friendly city was considered promising for a long time. What has changed, and why is Mercedes-Benz getting involved in urban planning today?
The car-friendly city is an outdated concept — for us as well as others. Today, aspects such as fresh air,

With the EQE, the sixth all-electric model from Mercedes-EQ will be launched on the market in 2022.

peace and quiet, and local recreation are playing a vital role in urban planning. Cars still play a legitimate role in cities, but they must fulfil basic requirements such as environmental compatibility, emission control, and integration into new transportation concepts. Our mission as an automaker is obvious: we have to offer people the right products. Thanks to our electric-only approach, we're moving in the right direction.

At the same time, we're helping cities make their transportation concepts as efficient as possible. We're not doing this because we're worried that the need for self-determined mobility could decrease — on the contrary.

What's your opinion of regulatory prohibitions in transportation policy?
To give you one example, riding a bicycle on a motorway is prohibited — and I think that makes perfect sense. It's just as senseless to oppose prohibitions on principle as to give them blanket approval. They have to be proportionate. I oppose prohibitions if they limit the individual's ability to act even though good alternatives exist. One example of such an alternative is CO_2 pricing instead of the prohibition of combustion engines. If the price of CO_2 emissions rises, there's an increasing economic incentive to emit less CO_2 or none at all. Of course the charging price shouldn't be shooting up in parallel; instead, ideally it should decrease. However, in order to persuade the public to accept this transformation, we also need a social balance. And the enthusiasm factor shouldn't be neglected either. If I'm presenting e-mobility as a burdensome limitation, I really shouldn't be surprised if people hesitate to take advantage of it. After all, the decisive factor should be that I want to drive the vehicle — not that I have to drive it. The more enthusiastic people are, the faster the changeover will take place. As a producer of luxury automobiles, we therefore have a special responsibility to develop technical solutions that drive decarbonisation and get people on board. If this spark kindles interest not only among customers but also among other automakers, a competition model will develop — in favour of climate protection.

To what extent does business success depend on political decisions?
That depends entirely on the decisions in question. Our electric-only approach makes us particularly

ambitious in any case.[1] In addition to legislation regarding vehicle fleets, recycling requirements and supply chain legislation are becoming increasingly important at the European level. However, our business success depends among other factors on ensuring that the public authorities not only regulate but also create the prerequisites for the transformation's success. One example of this is the infrastructure. Whereas we as an automaker offer attractive products to make the shift to electric mobility easier, governments must work together with the energy companies to make the necessary infrastructure available. According to the German federal government, a total of one million charging points should be added by 2030. At the moment, 1,000 new charging points are being added to the grid every month. However, more than 2,000 charging points would have to be added every week in order to reach the EU targets. In my opinion, responsibility is never exclusive. That's why we are participating together with IONITY in the expansion of the charging infrastructure — and why the environmental bonus instituted by the governments is enhancing the attractiveness of our products. Nonetheless, today it's mainly the governments who are being called on to move the charging infrastructure into high gear.

How are you dealing with the fact that your struggle to balance conflicting interests isn't making you popular?

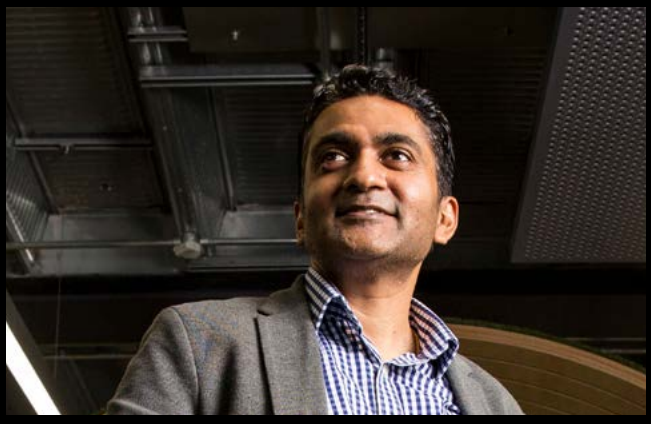
Many people have a distorted and outdated concept of the representation of political interests. I can only be successful in my job if I promote our goals in a way that is reliable and based on trust. And it's also wrong to assume that in our lobby work we aim to bring about decisions that are then politically implemented on a one-to-one basis. We expect governments to make the right decisions on their own responsibility, and we work hard to ensure that these decisions appropriately take our interests into account. Lobby work means working together to find the biggest possible overlap between the common good and corporate interests. Whether it's a question of jobs, EURO 7 legislation or charging stations, in our work we rely on the force of argumentation — as well as a healthy mix of pragmatism and ambition.

Eckart von Klaeden
is a lawyer and Head of the External Affairs department at Mercedes-Benz Group AG. He was a member of the German Bundestag from 1994 to 2013 and a Minister of State in the Federal Chancellery from 2009 to 2013. He subsequently joined Daimler AG, where he conducts dialogue with governments, associations and NGOs.

1 Mercedes-Benz aims to be ready to become all-electric by the end of this decade — wherever market conditions allow.

Any innovation is about saving real-life problems

Imagine a metropolis, where inhabitants and tourists will almost exclusively choose sustainable mobility options to travel across the city, while serious road accidents and fatalities have been reduced to zero. Rikesh Shah from London's transport authority, TfL, reveals the role, Mercedes-Benz plays in this scenario.



Rikesh Shah
Head of Commercial Innovation Transport for London (TfL)

London's Mayor, who is also the chair of Transport for London (TfL), outlines "a city for all Londoners". What will this city look like in detail?
London will be a safer, more inclusive, greener and also a more prosperous city. This is why the Mayor's Transport Strategy sets a key target. He wants 80 percent of all trips to be made by walking, cycling and public transit by 2041. And it's fantastic to have this North Star, a long-term target to aim for.

How do you turn the Transport Strategy into action?
With recent advances in technology, there will be lots of innovations that can add value to our strategy. We set out the Innovation Hub to focus on a few key areas. And we recognise mobility is changing. When I was a child, I'd either got a lift in my parent's car, rode my BMX bike around or I'd use public transport. Today, there are multiple options. You may own a bike, or you may rent it. It might be a folding bike, an electric bike, dockless or docked. Similarly, it could be a car or a minicab, and you may be sat with other people through pooling services. Our work in the Innovation Hub is to deal with new mobility concepts, advances in technology, thinking about aspects such as safety and accessibility. The question is, how can we run our city better by embracing new technologies?

A clear strategy: safety as a core focus

What are your key challenges?
Safety is key as we move people around the city. Tragically, we had 96 deaths on the road network in 2020, and we want to get it to zero. So, Vision Zero is our core focus. Another topic that is front of mind for the organisation is finance. 72 percent of TfL's revenue is from fares. And with covid-19, all of the UK's transit agencies have suffered in terms of revenue. Third, our

A look at London's intermodal mobility offering.

decarbonisation agenda ensures we move towards a green city. So, three very different examples of challenges, but all priorities.

Speaking of covid-19, what further impacts has the pandemic had on your work?
It has helped to strengthen some sustainable mobility concepts. We've invested a lot of resources and budget towards creating new cycleways and new walkways to support people to walk around the city safely, particularly in response to the pandemic. However, there is also another development. Pre-March 2020, my job was to encourage people to use public transport. Suddenly, covid-19 came in, and we needed to suddenly think even more about cleaning and safety from a new perspective. And with the latest variant, it's still a challenge. We stick to government guidelines and public health guidelines but we want to make sure anyone on our network is safe.

Do you also notice changes that reinforce your work in the Innovation Hub?
Yes, we had a lot of collaboration between London's multiple travel agencies and stakeholder groups from the boroughs and other communities during the pandemic. We were sharing data on different interventions that we were testing. And aligned to that, teams came up with a lot of new ideas. As a result of a great uncertainty we were able to experiment a little bit more than usual. Looking at different options and then coming up with the right solution in a really quick manner was incredibly impressive.

An innovative service: real-time services for passengers

Please share an example.
During the first peak of the pandemic in London, a new hospital was built and we also introduced new transport services to help the medical stuff move in and out safely. Our idea was to provide real-time information, so doctors and nurses can get quickly onto the bus, rather than congregating together and increasing the risk of spreading the virus. So, once the bus route went live, a team of colleagues together with a start-up company, put in a series of sensors on buses and turned them into a GPS locator. Then, they turned the transmitted data into a timetable service, and released all information to app developers and

others. So, in real-time, doctors and nurses were able to know exactly where and at what time the buses would pick them up. And that was done in less than three weeks. We have an incredible team and a brilliant ecosystem innovators.

Do you also work with data to address impacts of road traffic?
Definitely. Technology is allowing us to make use of data in a way that we couldn't do ten years ago. Let me give you one example of our work. Together with German technology provider Bosch we were seeking to improve the air quality on the High Street of a London borough. We installed air quality monitors and controlled the traffic flow through adjusting traffic light timing. So, when the traffic went through a densely populated area, it smoothly flowed through rather than stop-starting. We then looked at multiple data types, e.g., at the types of vehicles that are going through, the building typology, even weather data, as well as complementing it with air quality sensor data. As a result, we were able to develop an accurate model of what impact that intervention has had. Even though traffic volumes were low, it reduced exposure to bad air by six percent in that particular area. So it's proven an intervention based on data works, and that's a really good example of how we are now using data and hoping to scale it in other locations.

United in Vision Zero

Improving road safety towards a Vision Zero target is the other key issue of the Transport Strategy. Where do you stand today?
We've already seen a significant percentage decrease of deaths and serious injuries compared to 2019 levels. But it's not about celebrating. It's about how do we continue on that path and we will not stop until we get to zero.

Together with Mercedes-Benz, you are working on a program for greater road safety. How did this partnership develop?
It started with a coffee table talk at the London Automotive Forum a few years ago. After that, Mercedes-Benz's department Urban Mobility Solutions and TfL shared some of their problem statements and quickly it became paramount that safety is what we should be focussing on. So, as part of that, we ran some workshops which led to the concept of vehicle as a sensor. An average car has many sensors, the data is used based on customer consent. Those analyses are very interesting in terms of road safety. So far, our risk modelling tool has focussed on a series of TfL data points and police data points. However, when we started to interrogate some of the vehicle data analytics, we gained insights that we hadn't seen before.

Guiding traffic flow based on data can help to improve air quality in cities.

Please tell us more about these insights.
We looked at one particular location, which is a dual carriageway. The road is sealed, but there's a flowerbed on one particular part. And what we noticed through the analysis of anonymised vehicle data which Mercedes-Benz shared with us was that, at this place, the advanced driver assistance system initiated emergency braking. We then found that people from a hotel across the road were using the flowerbed as a halfway point. They were trying to cross the road there, rather than using the next pedestrian crossing. So, that's an example that wouldn't have come up on our data, because there weren't any incidents. As a result, the team is now exploring the chances of complementing the data from Mercedes-Benz cars with other sources like scooters, freight or cycles. The aim is to use this intelligence to improve our road risk modelling to make a significant contribution to road safety in London. So, based on these findings, TfL and the responsible public authorities can invest in more targeted interventions to make our roads safer for everyone.

What role might connected vehicles play in a mobility concept of the future?
The level of data generated by cars goes beyond safety. So, it could be around wayfinding information. How do you take the driver from A to B as quickly and safely and reliably in the most green manner possible? What's the level of optimisation when you are making a trip from A to B? Anyway, that would need other data than we use today and likely also further driver consent.

An exciting job: bringing magicians together

A lot of interesting projects to explore in TfL's innovation hub.
Absolutely. And we can't do it alone, we are dependent on partnerships and the willingness of the drivers to share the data. The magicians are the innovators. Our job is to curate and bring some of those great ideas together and let the geniuses, the innovators, come up with good solutions. Because any innovation is about saving real-life problems. It's also important for me to say that it's owing to the brilliant creativity and minds of people – suppliers, academia, TfL colleagues including my team and others – working in the Innovation Hub enables us to try new concepts.

What is a real-life problem that you personally like to solve in any case?
I'm a born and bred Londoner, and my children are growing up here. The London that I remember from 40 years ago was quite different to what it is now. Put away the nostalgic view, I want my kids to grow up where the air that they breathe in doesn't create disbenefits for them from a health point of view. I want them to move around safely and keep fit and really enjoy what London has to offer.

How does your personal mobility mix look like?
We have just recently moved houses to somewhere that we have a park across the road. As a family, a bunch of novice cyclists, we are going through the park now, which is good. Walking and jogging is something I do regularly, particularly as I'm working from home. I don't get enough opportunity to do exercise. And I do use my wife's car for trips where genuinely public transport cannot be used. So, as the pandemic

Anonymously transmitted vehicle data can help to identify danger spots in cities.

meant many of us, including myself, had to work from home I found that I missed my trip on the Jubilee Line. Believe it or not, I missed my local bus trips that I was doing, and that will continue as soon as we come out the next current phase of working from home. So, I am a true multi-modaler.

Are you close to the 80 percent vision of your mayor?
I need to check my pedometer (laughs). I would say, I'm certainly close to it. I will probably use the car for half an hour a day to pick up one of my sons from school. So, yes, it is about 80 to 20 for me. And it's easy, too. You know, for London, you are normally no more than 400 yards away from a TfL service.

Thank you for the interview.

Rikesh Shah
is Head of Commercial Innovation at Transport for London, and is accountable for TfL's engagement with market innovators to create new value for the city. He is also a member of the Smart London Board which is charged helping the Mayor shape his vision and strategy for London's smart city agenda and investment in data infrastructure.

GOVERNANCE

GOVERNANCE

Daimler AG was renamed as Mercedes-Benz Group AG with effect from 1 February 2022. Unless there is a specific historical context to the former company name in individual cases, the new company name is used in this Annual Report and the name Mercedes-Benz Group is used for the Group. The same applies to the former Daimler Mobility AG, which was renamed as Mercedes-Benz Mobility AG on 1 February 2022.

Sustainable corporate governance

A core principle of the Mercedes-Benz Group is that we aim to create value that is sustainable and to do so in a manner that is economical, environmentally friendly and socially beneficial. We're translating this into our sustainable business strategy. This strategy firmly incorporates sustainability issues into our daily business, as this is the only way to ensure we can continue to be successful as a company in future. At the same time, the strategy enables us to meet legal requirements and the demands and expectations of our stakeholders — i.e. customers, employees, investors, business partners, non-governmental organisations and society as a whole.

We can, and we intend to, once again channel the history of mobility in a positive direction, actively shape the sustainable transformation process and be a part of the solution. It's time to shape the "good new days" of sustainable and self-determined mobility — through innovations.

One of our most important transformation targets is CO_2 neutrality — and we have firmly embedded it in our sustainable business strategy. At Mercedes-Benz AG it is reflected in our "Ambition 2039" and our electric-only approach. By the end of this decade, we want to offer all-electric vehicles wherever market conditions allow. In both cases, the sustainability-driven transformation of our business is so far-reaching that it can be called a fundamental change. Thus we are creating a new Group for this new age — one that is sustainable along our entire value chain, climate-neutral, highly profitable and fascinating.

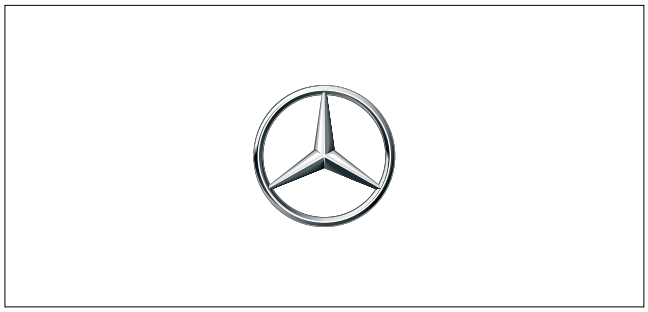
The Mercedes-Benz Group at a glance

GRI 102-1/-2/-3/-4/-7/-10/-48

Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group and has its headquarters in Stuttgart. At the Extraordinary General Meeting on 1 October 2021, the shareholders voted in favour of changing the Company's name from Daimler AG to Mercedes-Benz Group AG. This name change was entered in the commercial register on 1 February 2022. For this reason, in addition to the name Mercedes-Benz Group AG, the name Daimler AG is also used here, depending on the respective facts and time.

As part of the Company's realignment (Project Focus) and with the approval of the Supervisory Board, the Board of Management decided on 30 July 2021 to spin off and hive down a large part of the previous Daimler Trucks & Buses segment, including the associated financial services business (Daimler commercial vehicle business). The legal basis of the reorganisation is the spinoff and hive-down agreement between Daimler AG and Daimler Truck Holding AG concluded on 6 August 2021.

	2021
Employees (Status December 31, 2021)	**172,425**
Production sites	30
Unit sales in million	**2.75**
Financial key figures (in EUR millions)	
Revenue	168
Research and development expenditure Mercedes-Benz Cars & Vans	7.7
Personnel expenses	22,888
Total dividend	5.00




The shareholders approved the spin-off and hive-down agreement at the Extraordinary General Meeting of Daimler AG on 1 October 2021. The General Meeting of Daimler Truck Holding AG gave its approval on 5 November 2021. The spin-off and hive-down were entered in the commercial register on 9 December 2021 with economic retroactive effect as of 1 January 2021 (spin-off effective date). With the spin-off and hive-down taking effect, as well as other measures provided for in the demerger agreement, Mercedes-Benz Group AG directly and indirectly holds a minority interest totalling 35 per cent of the share capital of Daimler Truck Holding AG as of the balance sheet date, and therefore no longer exercises a controlling influence on the basis of the agreements concluded in connection with the transaction. The control and profit-and-loss transfer agreement existing between Daimler AG and Daimler Truck AG was transferred to Daimler Truck Holding AG in the context of the spin-off with effect from 1 January 2021.

Mercedes-Benz Group AG is closely linked with Mercedes-Benz AG and functions as an operating business entity that defines the Group's strategy. It also makes strategic decisions for business operations and, as the Group's parent company, ensures the effectiveness of organisational, legal and compliance-related functions throughout the Group.

Six areas of action for sustainability

Sustainability issues are an integral part of the business strategy of the Mercedes-Benz Group. We know that we can only remain successful over the long term if we conduct our business operations responsibly. By doing so, we generate added value for all of our stakeholders — for our customers, employees, investors, business partners 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 behaviour, 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 areas of action and our enablers

↗ **Climate protection & air quality**

↗ **Resource conservation**

↗ **Sustainable urban mobility**

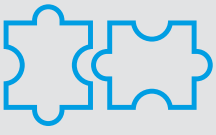
↗ **Traffic safety**

↗ **Data responsibility**

↗ **Human rights**

↗ **Integrity**

↗ **People**



↗ **Partnerships**

Sustainable Development Goals

GRI 102-15

In 2015, the United Nations defined a blueprint for worldwide sustainable development. It includes 17 sustainable development goals (SDGs). In order to reach these goals, the business community, with its strong capacity for innovation and investment, is playing a crucial role. The Mercedes-Benz Group willingly accepts this role.

In order to assess our corporate performance with regard to the 17 SDGs, we conducted an SDG impact analysis together with experts from TruCost. We used the materiality analysis from 2020 as a framework here for our analyses of the positive and potentially negative effects that our company is having on the individual goals. We also identified the sustainability goals that represent the greatest opportunities and the biggest risks for our company.

We are using our findings to further expand the contribution that our business activities in these areas are making to the achievement of the UN's sustainability goals. To this end, we are concentrating on the areas where we can create the most value added. An example of this is our new electric-only approach.

That's why our work is focussing on the following SDGs:

SDG 8 — Decent Work and Economic Growth: We support the implementation of humane working conditions by developing and implementing a risk-based management approach to respecting and upholding human rights in our own units and in our supply chain. In addition, by manufacturing our products, providing our services and procuring materials in large amounts, we are creating attractive workplaces all over the world.

SDG 9 — Industry, Innovation and Infrastructure: We are shaping the sustainable mobility of the future through digitalisation and electrification. Through the benefits we expect from this process, for example in the areas of safety and climate protection, we are demonstrating the potential of digital innovations for our society.

SDG 11 —Sustainable Cities and Communities: The Mercedes-Benz Group is promoting sustainable mobility in metropolitan areas through its offers such as electrified shuttles, carsharing, Ride-hailing and the multimodal linking of mobility services.

SDG 12 — Responsible Consumption and Production: We are working to increase the efficiency of our vehicles and significantly reduce our use of raw materials. One of our tasks is to reinforce the closed material loops for the primary raw materials that are needed for our electric vehicles. In this way we are laying the groundwork for sustainable production patterns.

SDG 13 — Climate Action:
Through our sustainable business strategy and the associated measures and goals for reducing the emissions of our vehicles, plants and supply chains, we are making a concrete contribution to global climate protection.

Our value chain

Product development

€7.7
billion research and development expenditure

€2
billion investment volume through green bonds since 2020

> €60
billion investment volume by 2026 for the transformation into a CO_2 neutral and software-driven future

Supply chain

31%
of all raw materials that pose an increased risk reviewed

805
on-site audits at suppliers of production materials

almost 90%
of the suppliers will deliver only CO_2 neutral products by 2039 at the latest

Production

39%
less waste per car for disposal

78%
of the total electricity consumed by the production of Mercedes-Benz Cars comes from renewable energy sources

Use

115
g/km CO_2 are the expected average emissions of the passenger car fleet in Europe (EU, Norway and Iceland; according to WLTP)

approx. 700,000[1]
Mercedes me Charge charging stations worldwide

99,301
battery electric vehicles sold

Recycling, remanufacturing and disposal

95%
of the materials in all cars and vans over 3.5 t total weight can be reused or recovered

70%
of batteries are reprocessed (2nd-life batteries)

30,800
tons of vehicle components, fluids and packaging is sent for recycling

The fundamentals of our success are:

Integrity

17,923
participants in the web-based training basic module Integrity@Work

People

In the Top 6[2]
best employers for digital talents

Partnerships

23
Sustainability Dialogues — 14 in Germany, 9 in China

1 as of February, 2022
2 Ranking of goals in the Trendence study of college graduates in the field of IT (Germany); the result refers to the then Daimler Group in Germany

Sustainability management

Sustainability as value added

At the Mercedes-Benz Group, sustainability means stably generating economic, environmental and social value added for our stakeholders: customers, employees, investors, business partners and society as a whole. Sustainable development is therefore part of the brand essence of Mercedes-Benz and a guiding principle of our actions and all our interactions with our customers. This holistic strategic approach applies not only to our own products and manufacturing locations but also to our complete upstream and downstream value chain and the entire customer journey. Specifically, this means that we drive change and implement measures that strengthen sustainable processes, products and interactions in direct customer contact throughout the customer journey. One of our goals therefore is to also make our customers passionate about sustainability.

Sustainable business strategy

GRI 102-15/-47

The Mercedes-Benz Group acts in line with the sustainable business strategy adopted by the Board of Management in 2019. This means that rather than merely supplementing our business strategy, sustainability aspects are integral components of it.

Our strategic goals are closely based on the UN Sustainable Development Goals (SDGs) — especially SDGs 8 and 9 and 11 to 13 — among other factors. In addition, they take into account recognised international frameworks, the requirements of our external and internal stakeholders and global trends. From this order of priorities we have also derived Group-wide areas of action and areas of responsibility as well as business-specific targets, processes and measures. Regular materiality analyses provide a basis for re-discussing the areas of action and determining whether they need to be updated.

We have also formulated strategic ambitions for each of the six areas of action:

- **Climate protection & air quality:** Plans call for our new vehicle fleet to be carbon-neutral over the entire life cycle by 2039 and to no longer have any relevant impact on NO_2 levels in urban areas by 2025.
- **Resource conservation:** We will decouple resource consumption from business volume growth.
- **Sustainable urban mobility:** We will offer our leading mobility and transport solutions in order to improve the quality of life in cities.
- **Traffic safety:** We are working to make our vision of accident-free driving a reality as we develop automated driving systems while also taking social and ethical issues into account.
- **Data responsibility:** Sustainable, data-based business models are our future. In line with these business models, we focus on the needs of our customers and the responsible handling of data.
- **Human rights:** We assume responsibility for respecting and upholding human rights along our automotive value chain.

We work together in relationships based on trust with our partners in industry, government and society at large in order to make these ambitions a reality.

We also rely on the dedication and commitment of our employees, who are helping to shape the transformation. Accordingly, we have defined three “enablers” that are essential for our success in these six areas of action:

- **Integrity:** In order to firmly anchor integrity at all levels and in all areas, we are engaging in regular dialogue. We are also supporting our employees as they make business decisions in order to promote their sense of individual responsibility.

- **People:** As an attractive employer, we promote the diversity of our workforce and help our employees acquire the skills they need in order to master the challenges of digitalisation.

- **Partnerships:** Our principles regarding political dialogue and the communication of our interests form the basis of responsible and reliable action that aims at harmonising our corporate interests with the interests of society at large.

Materiality analysis

GRI 102-46/-47

We conducted a comprehensive materiality analysis in 2020 in order to determine which sustainability issues are particularly relevant for the Group and its stakeholders. The results of this analysis are still being used in our current reporting at the Mercedes-Benz Group. In the reporting year, due in particular to the restructuring of the Group at the end of 2021, we started to carry out a new materiality analysis for the new Group. This is due to be completed in 2022.

The materiality analysis conducted in 2020 addressed the existing strategic areas of action as well as further potentially relevant sustainability issues and trends. We assessed a total of 15 issues.
The analysis consists of several components: a comprehensive competition and media analysis, regulatory requirements and information relevant to capital markets, an SDG impact assessment, an online stakeholder survey and interviews with experts. In our analysis, we used two different perspectives:

- **Inside out:** What positive and negative effects do our business activities have on the economy, the environment and society?

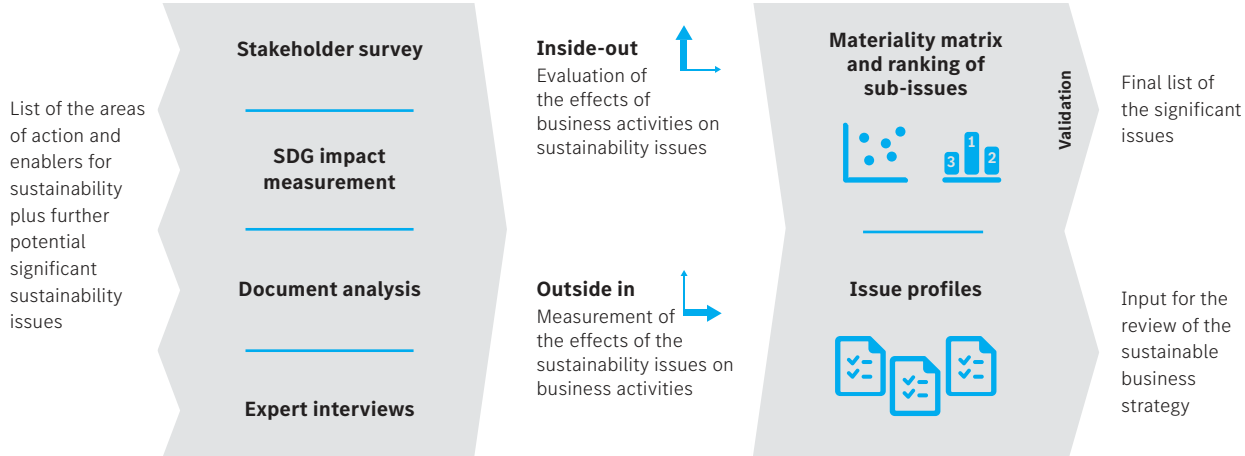
- **Outside in:** To what extent do external expectations regarding our sustainability performance affect business development, business results and the company's situation?

As a result of these parameters, the materiality analysis complies with the reporting requirements of the Global Reporting Initiative (GRI) and the CSR Directive Implementation Act (CSR-RUG).

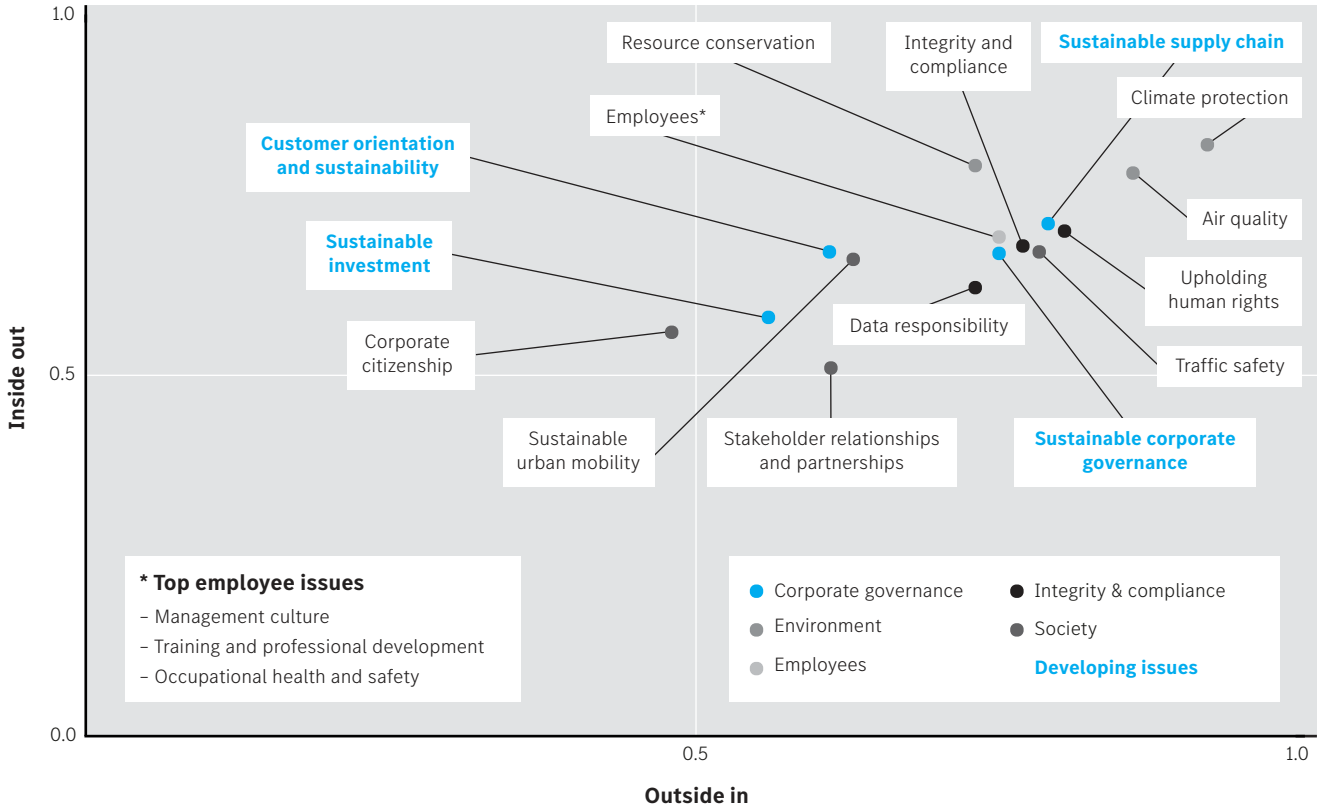
The materiality matrix shows the issues in accordance with their relevance. Climate protection, air quality and resource conservation have the greatest importance in terms of the analysis and the stakeholder survey, and a sustainable supply chain, customer orientation and sustainability are also very important. This confirms our selection of the strategic areas of action.

We have extensively discussed the results of the materiality analysis with all of the responsible specialist units and presented them to the Group Sustainability Board (GSB), as well as to the Advisory Board for Integrity and Sustainability. The results form an important foundation for the further development of our sustainable business strategy.

Materiality analysis methodology



Our materiality matrix



Managing sustainability

GRI 102-5/-10/-18/-19/-20/-22/-23/-26/-28/-31/-32/-35/-36

In the new structure, Mercedes-Benz Group AG has taken on the steering function and provides services for the Group companies. As the parent company, it also defines the Mercedes-Benz Group's strategy. In addition, it makes decisions about strategically significant issues related to the Mercedes-Benz Group's business operations and ensures the effectiveness of organisational, legal and compliance-related functions throughout the Group.

Our governance structure, which consists of the Board of Management and the Supervisory Board, corresponds to the dual leadership structure required by German law for a stock corporation. The Board of Management manages the company and the Supervisory Board monitors and advises the Board of Management. The two bodies work together very closely for the welfare of the company and are guided in their efforts by the German Corporate Governance Code.

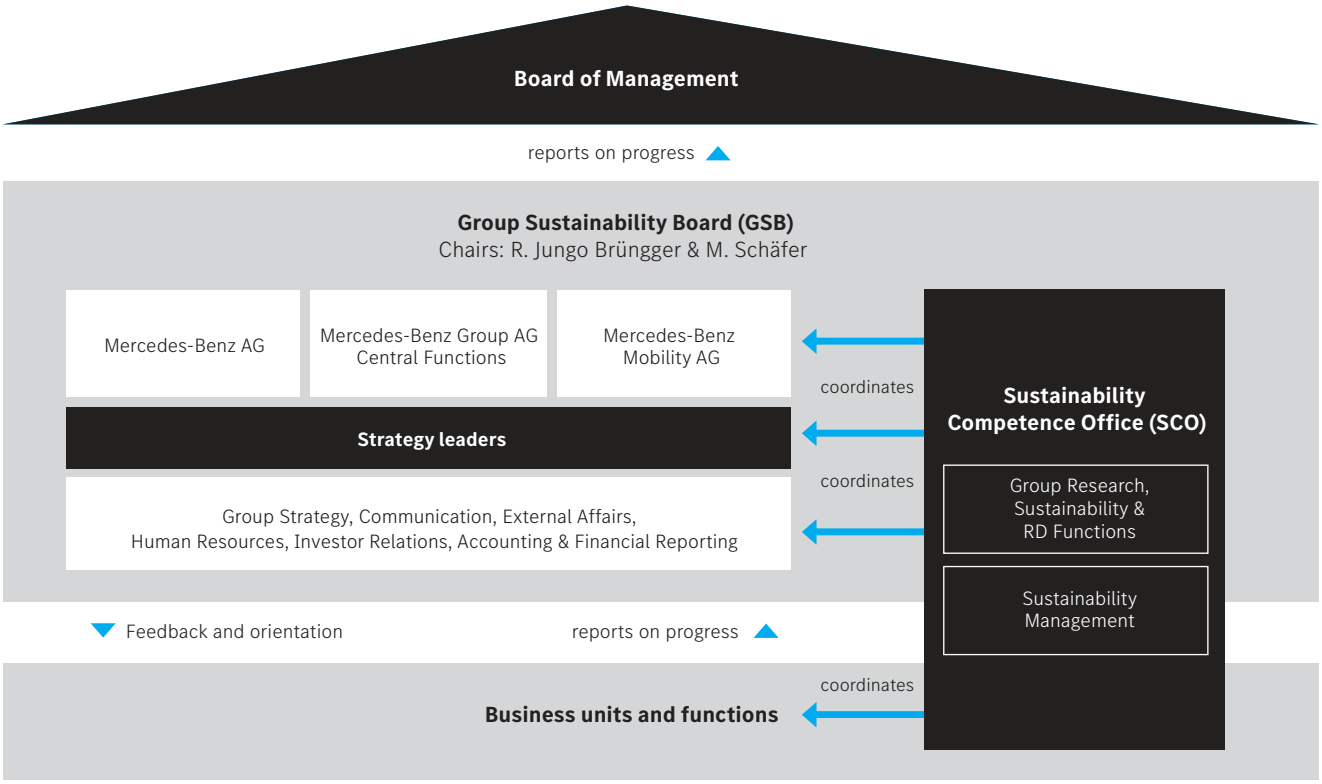
The Company Bonus provides short-term and medium-term variable components of remuneration for the Board of Management and Level 1–3 managers, as well as for Level 4 managers in some cases. These components are linked not only to financial targets but also to sustainability-related transformation targets and non-financial targets that focus on customers, integrity and employee commitment and diversity.
Remuneration Report

We are managing our work in the strategic areas of action — alongside other tasks — by means of an internal reporting process that uses detailed scorecards. Clear lines of responsibility in the management and organisational structures used at all of our divisions exist to support this process.

The Group Sustainability Board (GSB) is our central management body for all sustainability issues and reports to the Board of Management of Mercedes-Benz Group AG. The GSB has a shared management structure, with Renata Jungo Brüngger (the Board of Management

Governance

GRI 102-3/-5/-10/-18/-19/-20/-22/-23/-26/-28/-31/-32/-35/-36



member responsible for Integrity and Legal Affairs) and Markus Schäfer (the Board of Management member responsible for Development & Purchasing; also Mercedes-Benz Cars Chief Technology Officer) serving as Co-chairs. The members of the GSB are the Chairman of the Board of Management and the Board of Management members responsible for Finance, Marketing & Sales as well as representatives of further important functions and divisions. The GSB regularly submits progress reports, as well as proposals for decisions regarding the areas of action that are part of the Group's sustainable business strategy, to the Board of Management. The Supervisory Board decides on the Board of Management's transformation goals, which include non-financial goals as well as sustainability-related targets.

The operational work is done by the Sustainability Competence Office (SCO), which consists of representatives from the units managed by the two Co-chairs of the GSB as well as additional representatives from Corporate Strategy, Finance and Corporate Communications. Besides performing its other tasks, the SCO also monitors the progress made in the six areas of action and the three enablers defined in the sustainable business strategy. The results are reported to the GSB and the Board of Management in the form of detailed scorecards at least once a year. With the help of a tracking list, the GSB also monitors whether the activities that have been decided on have been implemented.

During the reporting year, we established the new internal "Sustainability Forum" dialogue format, whose goals are to intensify the exchange between the SCO and employees who work in the various markets around the world, and to more extensively link internal sustainability experts with one another. The Sustainability Forum holds virtual meetings at regular intervals. The focus is on information and discussions about current developments concerning the sustainable business strategy, the associated targets, and the six areas of action and the three enablers. In addition, the participants actively share informa-

tion and knowledge about the developments in the various markets and about best-practice approaches in the different regions. Moreover, the Sustainability Forum on the company's intranet has its own interactive platform for networking and communication that extends beyond the digital formats themselves. Although the content is designed primarily for sustainability experts, any employee can access the content and obtain information on this platform.

We also launched a web-based training course regarding the six pillars of the Mercedes-Benz Cars strategy in September 2020. Among other things, the course explains how the topic of sustainability is both the foundation and an integral component of our strategy. The training course also enables participants to obtain in-depth information about the six sustainability-related areas of action as well as about the three enablers. In 2021, we also developed and rolled out a new sales training course about sustainability. This course is targeted at our colleagues in the Mercedes-Benz dealerships worldwide. It addresses our company's sustainable business strategy and shows how Sales can help the Mercedes-Benz Group achieve its sustainability targets. The training course also offers recommendations for handling an increased demand for electric mobility and is intended to encourage participants to incorporate various sustainability aspects into their daily work.
↗ More sustainable sales operations

One of the key tasks of the members of Mercedes-Benz Group AG Supervisory Board is to monitor the implementation of our sustainable business strategy. It's therefore important that the Supervisory Board and its committees are adequately informed about the sustainability issues related to the environment, society or corporate governance (ESG). In order to ensure the provision of such information, ESG topics are regularly addressed during the joint meetings of the Board of Management and the Supervisory Board. ESG experts from our specialist departments are brought in when such topics are discussed. Our various management and supervisory bodies also regularly exchange information with our Advisory Board for Integrity and Sustainability on the progress made in the implementation of our sustainable business strategy.
↗ The Advisory Board as an important source of support

Policies, standards and principles

GRI 102-16

Integrity, compliance and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all our actions, as defined by our Integrity Code. The Integrity Code is supplemented by other in-house principles and policies.

The "House of Policies" is our digital platform for policies. All the internal policies and works agreements at the Mercedes-Benz Group are compiled here in a user-friendly database that is accessible to all employees. The policies are available in several languages. Here our employees can also access a compact web-based training course about the policies, and the Group companies can receive advice about local policy management.

We also use the ten principles of the UN Global Compact as a fundamental guide for our business operations. As a founding member, the Mercedes-Benz Group is strongly committed to the UN Global Compact.

The Mercedes-Benz Group's internal principles and policies are founded on this international frame of reference and other international principles, including the Core Labour Standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Within the framework of our participation in the UN Global Compact, our specialist units are active in a variety of working groups — for example, regarding transparency, reporting and responsibility in global supply chains.

Risk and opportunity management

GRI 102-11/-29/-30 GRI 413-2

The Mercedes-Benz Group is exposed to a large number of risks that are directly linked with the business activities of Mercedes-Benz Group AG and its subsidiaries or that result from external influences. A risk is understood as the danger that events, developments or actions will prevent the Group or one of its divisions from achieving its targets. This includes monetary and non-monetary risks. At the same time, it is important to identify opportunities in order to safeguard and enhance the competitiveness of the Mercedes-Benz Group. An opportunity

is understood as the possibility, due to events, developments or actions, of safeguarding or surpassing the planned targets of the Group or of a division.

In order to identify these risks and opportunities at an early stage and to assess and manage them systematically, adequate and effective management and control systems, which are clustered into a risk and opportunity management system, are applied. Opportunities and risks are not offset.

The risk management system is intended to systematically and continually identify, assess, control, monitor and report risks threatening the company's existence and other material risks in order to sustainably support the achievement of the corporate targets and to enhance risk awareness at the Group. The risk management system is integrated into the value-based management and planning system of the Mercedes-Benz Group and is also an integral part of the overall planning, management and reporting process in the legal entities, divisions and corporate functions.

The opportunity management system at the Mercedes-Benz Group is based on the risk management system. The objective of opportunity management is to recognise the possible opportunities arising in business activities early on and to use them in the best possible way for the benefit of the Group. This should result in planned targets being met or exceeded.

As part of the planning process, risks and opportunities are noted within an observation horizon of up to five years. The employees responsible for risk management have the task of defining measures and, if necessary, initiating such measures to avoid or reduce risks or to protect the Group against them. Within the context of opportunity management, measures are to be taken for seizing, improving and (fully or partially) realising opportunities.

Firm integration of sustainability-related risks and opportunities

Risk and opportunity management is a fixed component of the Group-wide planning, controlling and reporting process. It is designed to sustainably support the achievement of the corporate targets and to ensure risk awareness at the Group. The sustainability aspects are integrated into the Group-wide risk management process at the Mercedes-Benz Group. These aspects are understood as conditions, events or developments related to the environment, social issues or corporate governance (ESG) whose occurrence could actually or potentially impact the earnings, financial position, asset situation and reputation of the Mercedes-Benz Group. Circumstances categorised as environmental issues include CO_2 emissions, extreme weather events, waste prevention and recycling.

Labour law standards, occupational and product safety, product liability and suppliers' compliance with labour law standards are examples of circumstances categorised as social issues. The area of corporate governance is concerned with matters such as honesty in tax affairs, measures taken to prevent corruption, and ensuring data protection.

ESG-related risks and opportunities associated with the Mercedes-Benz Group's own business activities, business relationships and products and services and which are very likely to have a serious negative impact on non-financial aspects in accordance with the CSR Directive Implementation Act (CSR-RUG) do not exist from today's perspective. One non-financial risk with reporting relevance in terms of integrity and compliance was identified during the reporting year. Further non-financial risks with reporting relevance do not exist from today's perspective. Climate-related risks and opportunities that are related to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) are part of the Environment unit's responsibilities and are therefore also identified and evaluated during the risk management process.

Further information can be found in the Risk and Opportunity Report.
Risk and Opportunity Report, AR 2021

Communicating and assessing risks and opportunities

GRI 102-29

The organisational embedding of risk and opportunity management is carried out by the risk management organisation that has been established at the Group. The responsibility for operational risk management and for the risk management processes is borne by

the divisions, corporate functions, organisational units and companies. They report on the concrete risks and opportunities at regular intervals to their superordinate units. Unexpectedly occurring material risks must be reported immediately. The divisions pass along this reporting information to the corporate risk management unit, which presents it to the Board of Management, the Audit Committee and the Supervisory Board.

The Group Risk Management Committee (GRMC) is responsible for ensuring the continuous improvement and evaluating the efficiency and effectiveness of the risk management system. The GRMC consists of representatives from Accounting & Financial Reporting, the Legal Affairs department, Compliance, Corporate Security and the Management Board members responsible for finances at Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Mobility AG. It is headed by Mercedes-Benz Group AG Board of Management members who are responsible for Finance & Controlling/ Mercedes-Benz Mobility and Integrity and Legal Affairs. The Internal Auditing department takes into account material findings via the internal controlling and risk management system.

Stakeholder dialogue

GRI 102-21/-40/-42/-43/-44

The Mercedes-Benz Group attaches great importance to engaging in a dialogue with its interest groups. This allows the group to consider various perspectives on our involvement with sustainability issues, identify and address new trends and share experiences. We also want to engage in discussions of controversial topics at an early stage. We focus on conducting a dialogue that is fruitful and productive for all the parties involved.

Our knowledge of our stakeholders is a prerequisite for this. Stakeholders are individuals and organisations that have legal, financial, ethical or ecological claims on or expectations regarding the company. Whether an individual, organisation or group is a stakeholder of the company depends on the extent to which decisions of the Group influence them or, conversely, the extent to which they can influence the Group's decisions. Thus the primary stakeholders are our customers, employees, investors and suppliers. We also communicate regularly with groups in civil society such as non-governmental organisations, as well as associations, trade unions, the media, analysts, municipalities, residents in the communities where we operate and representatives of science and government.

Exemplary instruments of our Stakeholder-Management approach

Information

- Mercedes-Benz Sustainability Report and regional reports
- Corporate website
- Employee portal and additional internal communication channels
- Press and public-relations work
- Blogs and social media
- Plant tours, receptions, Mercedes-Benz Museum
- Environmental declarations by the plants
- Capital market communication
- Sustainability rankings and ratings

Dialogue

- Annual Sustainability Dialogue (Germany/regions)
- Local dialogue with residents and municipalities
- Internal dialogue sessions on integrity and compliance
- Supplier Portal
- Involvement in sustainability initiatives and networks
- Specialist conferences on social topics and debates
- Topic- and project-related discussions
- Dialogue formats on future-oriented questions: think tanks, hackathons, idea competitions
- The Sustainability Forum
- Capital market events: capital market days, investor conferences, roadshows

Participation

- Stakeholder consultation in topic-related working groups
- Advisory Board for Integrity and Sustainability
- Peer review within the framework of sustainability initiatives such as the UN Global Compact and the Global Reporting Initiative

Areas of responsibility and communication channels

GRI 102-33/-43/-44

In order to implement the dialogue with our stakeholders throughout the Group, the Mercedes-Benz Group has defined clear areas of responsibility, communication channels and specific dialogue formats. These various dialogue formats are initiated by experts from the Integrity and Legal Affairs division and other divisions such as the External Affairs (EA) unit. For example, EA organises political dialogues. The Integrity and Legal Affairs unit coordinates the Sustainability Dialogue. Our sustainability committees, the Group Sustainability Board and the Sustainability Competence Office manage other dialogue activities.

↗ Partnerships
↗ Memberships and participation

Dialogue formats

The Group uses various dialogue formats to engage in a dialogue with our relevant stakeholders. For example, we organise our Sustainability Dialogues annually and conduct stakeholder surveys, specialist conferences and thematic dialogue sessions that can also take the form of workshops or are held by the Advisory Board for Integrity and Sustainability. On the other hand, the latest discussions in the public sphere are followed. We keep ourselves up to date on the associated expectations by participating in industry-specific and cross-industry networks and initiatives. Studies and other scientific publications are also evaluated and our own media analyses conducted. These measures help the Group to identify developments and the associated expectations in areas beyond the dialogue events that have been initiated.

The Sustainability Dialogue

One essential tool of the dialogue with the stakeholders is the Sustainability Dialogue, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of the Group Board of Management and executive management. The participants attend a range of workshops, where they discuss selected issues related to sustainability and work together to further develop their approaches. The experts responsible for specific themes take up the momentum generated by the participants and work together with the stakeholders to incorporate these ideas into their work. They then report at the event in the following year on the progress made in the interim.

In 2021, as in the previous year, we held the two-day Sustainability Dialogue via a digital meeting platform due to the covid-19 pandemic. Five representatives of the Board of Management of Mercedes-Benz Group AG presented a comprehensive status report. The public section of the meeting on the first day was broadcast over the Internet for the first time. More than 700 interested viewers followed the panel discussions live and were able to join the discussion and pose questions via a platform. Over 200 external and internal participants in a total of seven working groups engaged in discussions of various topics. One of the topics discussed was what the resolutions of the United Nations Climate Change Conference COP26 in Glasgow mean for the company. What joint efforts are necessary to achieve a more sustainable supply chain was a further topic.

As a globally operating company, the Group has set itself the goal of establishing sustainability at its business units and specialist units all over the world. For this reason, we organise Sustainability Dialogue events in other countries and regions as well. Such international dialogue events have been held in China, Japan, the United States and Argentina. During the reporting year, more than 160 stakeholders participated in the Sustainability Dialogue in Beijing (China), which was organised as a hybrid event (virtual and in-person). Along with keynote presentations by two Mercedes-Benz Group AG Board of Management members who talked about the Group's sustainable business strategy and initiatives in China, the event also featured a keynote presentation by an external expert about responsible management of data in China, and a panel discussion focusing on traffic safety in connection with new technologies.

The Advisory Board as an important source of support

The Advisory Board for Integrity and Sustainability has been a source of input for the Group's sustainability activities since 2012. The board's members are independent external experts from the fields of science and business, as well as from civic organisations. They also possess specialised knowledge regarding environmental and social policy, the development

of transport, traffic and mobility, and various human rights and ethical issues. The board's members offer us constructive criticism in questions related to integrity and corporate responsibility. The Advisory Board meets three times a year in meetings that are chaired by the member of the Board of Management responsible for Integrity and Legal Affairs. One of these annual meetings focuses in particular on discussions with other Board of Management members and members of the Supervisory Board. A regular exchange between the Advisory Board, company managers and employees takes place in other meetings that are devoted to specific topics. In 2021, the Advisory Board dealt with a range of issues, among them social compliance, sustainable finance and the transformation of the automotive industry, including its social aspects — for example, the balance between climate protection and the preservation of jobs.

Sustainable investment

Sustainability criteria (👁 ESG criteria) are becoming increasingly important for asset management. This trend is also reflected by the increasing number of investors who have committed themselves to the 👁 UN Principles for Responsible Investment — PRI which were presented in 2006. The share of ESG-based investments on the equity and debt markets is continuously increasing.

One of the key drivers of this development has been the global regulatory framework, which is increasingly gaining momentum, especially in Europe, where the EU initiated an Action Plan on Financing Sustainable Growth in 2018 and has also announced plans for a European Green Deal. The trend is also being reinforced by higher demand for ESG investment funds among both institutional and private investors. Sustainability is no longer viewed solely as a way to minimise risks to shareholders and asset managers on the basis of social, environmental and governance criteria but also increasingly as a good investment opportunity in and of itself. That's because the trend towards a more sustainable economy also offers companies the opportunity to set themselves apart from their competitors as they seek to attract equity and external investment.

In order to differentiate themselves positively here, the companies need to implement sustainable business strategies, set ambitious goals and ensure transparent ESG reporting along the entire value-added chain. The associated requirements regarding the transparent disclosure of data by companies are also leading to the use of a variety of reporting frameworks. For example, investors expect companies to publish reports conforming to standards such as those of the TCFD (Task Force on Climate-related Financial Disclosure) and the 👁 SASB (Sustainability Accounting Standards Board). Meanwhile, the extent of statutory disclosure obligations is also continually growing — for example, as a result of the 👁 EU taxonomy and the ongoing development of legislation concerning non-financial reporting. ESG reporting is thus becoming increasingly complex and demanding.

Financing the sustainable business strategy

The sustainable business strategy of the Mercedes-Benz Group requires substantial investments. It's therefore, among other things, our goal that our shares are viewed on the capital market as a sustainable investment. This proves our commitment to the sustainable transformation of our company in terms of our business operations, our environmental policies and our commitment to society. In order to disseminate this message, we maintain a continuous dialogue with players on the capital market as representatives of investors in equity and debt. We conduct this dialogue via platforms such as ESG conferences and ESG roadshows and we also engage in individual talks with investors and investor initiatives.

The Investor Relations unit at Mercedes-Benz Group AG works closely together with the company's in-house sustainability experts and is also integrated into the relevant committees. This is our response to the fact that sustainable investment has become a central investment strategy — in particular for institutional investors, who set especially high standards of transparency for external reporting according to ESG criteria.

Our external reporting focusses on reporting standards that are relevant to our investors (including TCFD, SASB, GRI), and we continuously monitor the way the ESG-related requirements of our investors are developing.
↗ TCFD reference table
↗ SASB reference table

Ratings and green bonds

ESG rating agencies such as MSCI, Sustainalytics, ISS ESG and CDP are additional important players in the capital market and in the sustainability-oriented investment process. Today the rating and ranking results of most providers are made available to the public and serve as an additional source of information for many investors.

Among other things, we have been using the CDP standards to disclose data concerning climate-related activities for more than 15 years. In 2021, we once again made it into the Leadership category in the CDP climate rating system with an "A"-rating. We were also able to significantly improve our MSCI and Sustainalytics results in the reporting year. We were issued an "A"-rating from MSCI, and in Sustainalytics we take a leading position among the comparable group of automakers. Our ISS ESG rating once again corresponded to the best possible rating in the automotive sector (Prime Status C+).

The various specialist units of the Mercedes-Benz Group work closely together to provide the rating agencies with information as appropriate. We intend to continue the ongoing development of our external reporting, close any gaps and initiate internal change processes.

In 2020, we developed a company-wide Green Finance Framework in order to position ourselves even more effectively as a sustainable company for investments and to enable ourselves to exploit the opportunities that ESG-based capital offers for corporate development. This framework makes it possible for us to finance investment in sustainable technologies in a targeted manner — for example, through bonds and loans. On the basis of the Green Finance Framework, we issued green bonds with a total volume of €2 billion in September 2020 and March 2021.

The framework is based on the voluntary process guidelines — the Green Bond Principles — of the International Capital Market Association (ICMA). The Green Finance Framework was presented in 2020 in a virtual roadshow and has attracted a great deal of interest among investors. The framework received certification with the highest rating — "Dark Green" — from the Center for International Climate and Environmental Research (CICERO) in 2020.
Green finance second opinion

Sustainable investment of pension assets

The Mercedes-Benz Group operates as an investor itself when it invests the company's pension assets. ESG criteria are also playing an increasingly important role in our selection process for capital investments. When we make sustainable investments, we also take the associated risk and return aspects into account.

In Germany, the capital investment process for most of our German pension assets is handled by asset managers to whom we grant individual mandates. Within the framework of our sustainability concept, we are increasingly making sure that the investment process takes sustainability aspects into account and makes them transparent, and we work exclusively with investment managers who have signed the UN Principles for Responsible Investment. We also use a negative list to exclude investing in companies and countries that do not fulfil our core requirements. We expanded our ESG-themed investments in 2021. In addition, we are focussing on more extensively integrating sustainability aspects, via benchmarks as well, into our active equity mandates, and we also plan to establish an ESG reporting system.

The measures we have implemented as part of our sustainability concept are regularly assessed and adapted to current developments. Sustainability is also one of the investment principles of Daimler Pensionsfonds AG. For our investments abroad, we take the country-specific requirements into account.

EU taxonomy

One of the important goals of the Commission Action Plan on Financing Sustainable Growth is to divert capital flows to sustainable investments as part of the European Green Deal. This is also the logic behind the EU taxonomy regulation that came into force in mid-2020. This regulation governs the establishment of a standardised and legally binding classification system that defines which economic activities in the EU are considered to be aligned with the taxonomy — and thus environmentally sustainable with regard to the six environmental objectives established by the regulation. Companies are required to apply the taxonomy regulation if they have to draw up a non-financial declaration

pursuant to Article 19a or Article 29a of the EU accounting directive, which is implemented in Germany in Section 289b Subsection 1 and Section 315b Subsection 1 of the German Commercial Code (HGB). As a result, the Mercedes-Benz Group is obliged to apply the taxonomy regulation. The proportions of revenue, capital expenditure and operating expenses accounted for by environmentally sustainable economic activities are to be reported on an annual basis. These proportions are determined on the basis of IFRS amounts.

In accordance with an exemption granted by the EU for the regulation's initial application period, only the proportions of revenue, capital expenditure and operating expenses accounted for by taxonomy-eligible and taxonomy non-eligible economic activities have to be reported in the 2021 reporting year. For an economic activity to be taxonomy-eligible, that activity must be mentioned and explained in further detail in the delegated acts. In addition, only the first two environmental objectives (climate-change mitigation and climate adaptation) are relevant for the current reporting period. Descriptions of relevant activities and technical screening criteria have already been made available via delegated acts. Climate mitigation in particular is to be regarded as the relevant environmental objective for the Mercedes-Benz Group.

From 2022, taxonomy alignment will have to be assessed alongside taxonomy eligibility.

In the future, only taxonomy-eligible activities can be considered as environmentally sustainable activities, or as being taxonomy-aligned, provided they meet certain technical screening criteria. Here, the fulfilment of certain technical screening criteria with regard to the relevant economic activities must make an substantial contribution to an environmental objective defined by the taxonomy regulation and, on the basis of defined "do no significant harm criteria", also exclude the possibility of significant interference with another environmental objective. In addition, compliance with minimum social standards with regard to occupational safety and human rights must be ensured.

Through its descriptions of economic activities in the delegated acts, the taxonomy regulation specifies which activities are basically taxonomy-eligible. The Group used these descriptions as a basis for determining whether, and to what extent, specific economic activities are taxonomy-eligible. Activities such as manufacture of low carbon vehicles and activities in the "transport" sector involving low carbon transport solutions for people and goods were identified as being taxonomy-eligible. Thereby, outside the technical screening criteria, the taxonomy regulation does not define low carbon. In a draft document that the European Commission published on 2 February 2022 in order to clarify open interpretation questions that have arisen as a result of the EU taxonomy ("Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets", hereinafter "Interpretation Document"), the Commission stated that the term "low carbon" only relates to the assessment of taxonomy alignment within the framework of the technical screening criteria and is not relevant for reporting on taxonomy eligibility in the current reporting period, and is therefore not taken into consideration by Mercedes-Benz Group AG for the depiction of the taxonomy-eligible proportions.

With regard to car manufacturers in particular, question nine of the document shows as an example that the activity "manufacture of low carbon vehicles" also includes vehicles with combustion engines. At the same time, the document shows that reporting on taxonomy eligibility generally does not yet amount to an assessment of environmental sustainability within the framework of taxonomy alignment. For Mercedes-Benz Group AG, this clarification by the European Commission means that the manufacture of all Group vehicles is reported as taxonomy-eligible in financial year 2021.

For reasons of transparency, we are also already voluntarily reporting this year on the proportions of vehicles with emissions below 50g CO_2/km per vehicle (in accordance with the WLTP) as defined in the technical screening criteria. All battery-electric vehicles and all plug-in hybrid vehicles that emit less than 50g CO_2/km are accordingly considered to be low carbon vehicles. By disclosing the proportions of these low carbon vehicles, we are already adopting an important measure for taxonomy alignment reporting that will not become mandatory until 2023. Additional measures for achieving taxonomy alignment will include the reviews of

compliance with the “do no significant harm criteria” and minimum social standards.

Mandatory reporting on taxonomy eligibility

Overview of the proportions of taxonomy-eligible economic activities

	Absolute total (denominator) in millions of euros	Proportion of taxonomy-eligible economic activities in %[1]	Proportion of non-taxonomy-eligible economic activities in %[1]
Revenue	133,893	99%	1%
Capital expenditure	27,946	100%	0%
Operating expenses[1]	6,576	100%	0%

1 The key figures were audited in the form of a limited assurance.

The individual figures for revenue, capital expenditure and operating expenses are precisely allocated to a specific economic activity and environmental objective. This prevents double counting.

Scope of companies to be included

Generally, we include all consolidated Group companies in the calculations for Group key figures. However, companies that are included in the consolidated financial statements using the equity method are excluded here.

Revenue

For the share of taxonomy-eligible revenue, the taxonomy-eligible revenue is considered in relation to the total revenue of the Group.

In this process, the denominator takes into account all the revenue generated at the Group companies that are to be included in the calculations, with the exception of companies that have been separately disclosed as discontinued operations in the statement of income. This revenue, as disclosed in the consolidated statement of income, amounted to €133,893 million in the 2021 reporting year.
Consolidated Financial Statements, AR 2021

The numerator was calculated by examining this revenue to determine how much of it was generated in connection with manufacturing or the leasing/financing of vehicles. This applies to almost all of the revenue generated by the Mercedes-Benz Group.

Capital expenditure

For the share of taxonomy-eligible capital expenditure, the taxonomy-eligible capital expenditure is considered in relation to the total relevant capital expenditure of the Group.

According to the taxonomy regulation, the denominator of the key figure for capital expenditure is calculated by taking into account all additions to intangible assets, equipment on operating leases and property, plant and equipment, as well as additions to rights-of-use assets as defined in International Financial Reporting Standard (IFRS) 16 including the additions to the named assets within the framework of corporate acquisitions. Goodwill acquired is not taken into account here. If a divestment is planned, capital expenditure on non-current assets is only taken into account until the point in time at which they were first classified as available for sale or disbursement in accordance with IFRS 5. The relevant additions to the assets to be taken into account amounted to €27,946 million in the 2021 reporting year.
Consolidated Financial Statements, AR 2021

According to the aforementioned interpretation document by the European Commission, the definition of an economic activity is characterized by the achievement of an output. In line with our business model, the numerator was therefore determined by examining whether capital expenditure is needed for the manufacture of vehicles or in connection with transport solutions for people and goods. This applies to nearly all of our capital expenditure.

Operating expenses

For the share of taxonomy-eligible operating expenses, taxonomy-eligible operating expenses is put in relation to the relevant operating expenses of the Group.

The operating expenses to be taken into account in the denominator include non-capitalised research and development expenditure and expenses from shortterm leasing agreements. In addition, expenditure from building renovation measures and certain maintenance and repair expenses relating to property, plant and equipment in accordance with the delegated act specifying Article 8 of the taxonomy regulation are included. These components of the relevant operating expenditure were collated exclusively from our manufacture

companies on the basis of materiality considerations. The operating expenses at the Group companies that are to be taken into account are included, with the exception of companies that have been separately disclosed as discontinued operations in the statement of income.

According to the approach taken for capital expenditure, the relevant operating expenses were also examined here for the determination of the numerator on the basis of the materiality considerations mentioned above to determine whether they are related to the manufacture of vehicles. This applies to nearly all of our operating expenses.

Voluntary reporting on the proportions of low carbon vehicles (below the limit value of 50g CO_2/km)

	Proportion of economic activities relating to low carbon vehicles[1]	Proportion of economic activities relating to non low carbon vehicles[1]
Revenue	7%	93%
Capital expenditure	21%	79%
Operating expenses	24%	76%

1 The key figures were audited in order to obtain limited assurance.

Revenue

In order to additionally calculate the proportion of economic activities relating to low carbon vehicles, revenue was examined to determine the extent to which it was generated with low carbon vehicles. For the major proportion of the revenue, in particular from the new and used-vehicle business and leasing and sales financing activities, a direct attribution was made of the amount of revenue accounted for by low carbon vehicles. With regard to other revenue components, especially revenue from the spare-parts business and service and maintenance contracts, or attribution of discounts granted for large procurement volumes, it is not possible to directly and clearly match revenue to low carbon vehicles. In these cases, suitable allocations were therefore used for the various revenue components. These classifications are based on current or historical vehicle sales data or production volume data for the fleet that is currently on the market.
By the end of this decade, Mercedes-Benz intends to be all-electric wherever market conditions allow. With the step from electric-first to electric-only we are accelerating the transformation and laying the foundation for the achievement of our climate-protection goals. Further information can be found in the Environmental Issues section. In line with this strategy and the associated planned sales figures for low-emission vehicles, we expect the share of the revenue generated by low carbon vehicles to rise considerably in the years ahead.

Capital expenditure

In order to additionally calculate the proportion of economic activities relating to low carbon vehicles, capital expenditure was examined to determine the extent to which it is associated with low carbon vehicles. For most of the capital expenditure relating to the industrial business, a direct attribution was made to all-electric or low carbon hybrid-vehicle projects. In the case of capital expenditure in assets that are used to produce both vehicles with combustion engines and low carbon vehicles, suitable allocations based on planned vehicle sales figures for the respective model series or vehicle platforms were used. Our capital expenditure on low carbon vehicles features a start of production within the deadline specified by the EU taxonomy regulation and is embedded in the investment planning approved by the Board of Management and the Supervisory Board. Capital expenditure that is not directly related to the manufacturing process was allocated on the basis of the planned sales figures for low carbon vehicles. With regard to financial services, it is possible to match the additions to the leased products directly to low carbon vehicles.

The share of capital expenditure for low carbon vehicles is mainly impacted by the additions to the equipment on operating leases. As a result, this share only partially reflects our capital expenditure in sustainable products for the future. A separate additional review of capital expenditure in capitalised research and development expenditure on low carbon vehicles, and capital expenditure in other intangible assets and property, plant and equipment of the Mercedes-Benz Group in connection with low carbon vehicles, shows much higher shares of capital expenditure in low carbon vehicles.

On the basis of our “electric-only” strategy, we intend to significantly increase these investments in the coming years.

Operating expenses

In order to additionally calculate the proportion of economic activities relating to low carbon vehicles, operating expenses were examined to determine the extent to which they are associated with low carbon vehicles. The non-capitalised research and development expenditure can mostly be directly incorporated into the calculation of the numerator on the basis of its allocation to all-electric or low carbon hybrid vehicle projects. Appropriate allocations based on anticipated future sales figures of the low carbon share of the model series or the vehicle platform were used for research and development expenditure that cannot be directly allocated (model series or vehicle platforms that include plug-in hybrids as well as purely combustion engine vehicles).

The table Voluntary additional figures on the proportion of economic activities at the Mercedes-Benz Group relating to low-carbon vehicles shows the component of our expenditure on non-capitalised research and development expenditure for low carbon vehicles. Other components of the relevant operating expenditure were recorded exclusively at our manufacture companies on the basis of the materiality analyses. Here as well, it was not possible to achieve a direct match to low carbon vehicles. The inclusion in the numerator is based on suitable allocations of current production volumes.

Voluntary additional figures on the proportion of economic activities at the Mercedes-Benz Group relating to low-carbon vehicles[1]

	Capital expenditure (CapEx)	Operating expenses (OpEx)
Capitalised research and development expenditure	> 40%	
Non-capitalised research and development expenditure		> 25%
Investments in property, plant and equipment as well as on other intangible assets	> 35%	

1 The key figures were audited in order to obtain limited assurance.

Tax obligation

GRI 103-1/-2/-3 GRI 207-1/-2/-3

The Mercedes-Benz Group views itself as a responsible company that strives to meet its global tax obligations while taking into account its social and ethical responsibility.

The Group tax strategy is oriented according to the following principles in particular:

- By our actions, we aim to ensure that Group companies meet all of their tax obligations and integrity standards through the use of measures such as efficient, high-quality and reliable expertise, processes, systems, methods and controls.
- We live an active risk management system for the Group and its relevant employees through the application of an appropriate Tax Compliance Management System (Tax CMS).
- In line with the principle of being a good corporate tax citizen, we follow legal, proactive and non-aggressive tax planning activities on the basis of economic considerations (“tax follows business”). We also strive to work cooperatively, transparently and constructively with the tax authorities. In the process, we maintain our legal standpoints and defend our interests wherever we believe such actions are appropriate and legitimate.

The Group’s tax strategy defines the limits of our actions, and this strategy is further specified and implemented by means of organisational and content-related policies, provisions and instructions.

Our tax policies define the responsibilities, tasks and obligations of those individuals in the Group who deal with tax issues and also contain specific provisions for ensuring that legal requirements are met. In this manner, they also make the responsible employees throughout the Group more familiar with tax issues. Our Code of Conduct stipulates that all intentional violations of internal and/or external tax provisions must be reported and investigated. The same applies to any failure to make corrections to procedures performed in an erroneous manner, as outlined in our internally valid rule violation policy.
↗ The BPO whistleblower system

The Mercedes-Benz Group has established a Tax Compliance Management System (Tax CMS) in order to ensure effective tax compliance throughout the organisation. The Tax CMS is a separate sub-unit of our general Compliance Management System.

The Tax CMS also includes an active tax-risk management system tasked with monitoring, checking and supporting the fulfilment of tax obligations. The goal of this consistent Group-wide risk management system is to identify and reduce tax risks at the Group, and thus the associated personal risks that may be faced by the employees active in this area. The system includes numerous measures — for example, continuous monitoring of tax risks and the incorporation of tax risk issues into the internal control system and the Group-wide risk management process in line with our risk management policy. No significant violations of these regulations regarding the tax laws became known to us in the reporting year.

↗ The Compliance Management System

Integrity and compliance

Materiality and goals

GRI 103-1/-2

Target	Target horizon
Our integrity-related activities are designed to help us reach the following key targets:	
– Knowledge of and compliance with the Integrity Code	
– All employees and managers behave and act in an ethical and responsible manner	Ongoing
– Discussions and dialogue concerning current key integrity topics and the risks associated with unethical behaviour	
– Feedback from integrity analyses is incorporated into measures designed to strengthen the culture of integrity	
Our compliance-related activities are designed to help us reach the following key targets:	
– Respect for and protection of human rights	
– Compliance with corruption prevention regulations	
– Maintenance and promotion of fair competition	
– Compliance of our products with technical and regulatory requirements	Ongoing
– Adherence to data protection laws	
– Compliance with sanctions	
– Prevention of money laundering	
– Prevention of the financing of terrorism	

We are convinced that companies stay successful only if their actions are ethical and legally responsible. This is especially the case during times of turmoil and transformation such as those we are experiencing today. Integrity and compliance are therefore top priorities at Mercedes-Benz Group.

Integrity forms the foundation of our business activities. For us, ethical behaviour means doing what is right. This includes adhering to laws, aligning our activities with common principles and following our inner compass.

Integrity

Strategy and concepts

A corporate culture of integrity

The automotive industry is undergoing radical change. New fields of business are developing and new technologies are raising new questions — both ethical and legal. Moreover, the covid-19 pandemic has led to profound changes all over the world. In such times of change and uncertainty, value-based action matters more than ever.

We are convinced that the Mercedes-Benz Group will only remain successful in the long run if we fulfil not only our financial responsibilities but also our responsibility to society and the environment. Our stakeholders also expect us to act in such a manner.

Integrity is therefore a central element of our corporate culture and, as an enabler, it is also an integral part of our sustainable business strategy. For us, this involves more than just obeying laws and regulations. We also align our actions with shared principles, which particularly include fairness, responsibility, respect, openness and transparency.

Integrity in our daily business activities

GRI 102-16

At the Mercedes-Benz Group, integrity, compliance and legal affairs are combined into a single Board of Management division. The Integrity and Legal Affairs division supports all of our corporate units in their efforts to embed these topics in our daily business activities.

Our Integrity Management unit works to promote and enhance integrity within our company and create a shared understanding of integrity. The goal is to avoid possible risks due to unethical behaviour and thus contribute to our company's long-term success. The Head of Integrity Management reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs.

Corporate principles and the Integrity Code

The Mercedes-Benz Group encourages and enables its employees to consistently uphold its corporate principles. They are given orientation by our Integrity Code, which is valid throughout the Group, because it serves as our shared standard of values, defines guidelines for our conduct and helps us make the right decisions; ethical behaviour is especially important in situations where the regulations are unclear or can be interpreted in different ways.

Our Integrity Code is binding on all employees of Mercedes-Benz Group and our controlled Group companies. Employees from a variety of corporate units all over the world have helped to formulate the Integrity Code. It is available in twelve languages and includes, among other things, regulations concerning corruption prevention, upholding human rights, the handling of data, product safety and compliance with technical regulations. The Integrity Code is available for our employees in the Enterprise Rules Database as well as on the intranet, along with all of the further key information concerning its application, including FAQs, points of contact and contact persons.

We have also formulated a special set of requirements for our managers in our Integrity Code. We expect them in particular to serve as role models through ethical behaviour and thus to offer guidance to our employees.

The key element of our Integrity Code consists of our five corporate principles. They provide orientation and are to be put into practice by all of our employees:

1. We are profitable and are committed to people and the environment.

2. We act responsibly and respect the rules.

3. We address issues openly and stand for transparency.

4. Fairness and respect are the foundation of our collaboration.

5. We practice diversity.

We conduct knowledge sharing and an open dialogue with our employees to ensure that integrity will remain embedded in our company's daily business over the long term. For example, during the reporting year we continued to regularly inform employees about our Integrity Code and its significance for our daily business activities. We have also regularly addressed the topics of integrity, compliance and legal affairs in our internal media.

Measures

Information, dialogue and training

GRI 102-17

We established the Infopoint Integrity in 2015 in order to promote a culture of integrity at the company. The Infopoint Integrity is the central point of contact for the workforce and employees of the Group companies when they have questions concerning acting with integrity. The Infopoint works together with experts for legal and HR issues, data protection and compliance, as well as diversity and sustainability. It either provides direct support or connects employees with the appropriate contact partners.

A global network of local contact persons for enquiries regarding integrity, compliance and legal issues is also available to our employees. The local contact persons evaluate the enquiries that are made and, if necessary, initiate the appropriate measures.

We expanded cooperation and activities in the Integrity Network during the reporting year. The Integrity Network consists of employees from the individual companies, divisions and functional divisions of the Group and serves as a joint platform for sharing knowledge and information with the aim of developing and implementing concrete measures. Among other things, local teams of multipliers have been established, and that has expanded the reach of the integrity-related measures. In order to strengthen and standardise cooperation, we have launched an Integrity Newsletter, and we also organise international multiplier dialogue events on a regular basis.

During one of these dialogue events, for example, it became clear that some employees do not fully understand what the word "integrity" actually means in all situations. In order to address this area of action, the Integrity Network collected around 200 statements from employees in which they explained what integrity means for them in daily situations. The statements were made available to all employees via the Integrity Toolkit on the intranet and served as the basis for the creation of a new Integrity Toolkit tool known as "Our integrity statements". Employees can also create their own personal integrity statement there. Different teams can use the various descriptions as a basis of discussion for developing concepts for and features of a common culture of integrity at the Group.

The network has also designed and realised numerous additional programmes ranging from dialogue events and content and inspiration for management communication to training courses, in order to permanently embed the topic of integrity into daily business operations.

Employees can access the Integrity Toolkit via the intranet. The Toolkit contains formats for dialogue events, tools for self-reflection, case studies and further information about the topic of integrity. An additional workshop method was added to the Toolkit during the reporting year. Here, employees and managers were able to expand their knowledge about the Integrity Code in a workshop with the motto "Our Integrity Code — using our corporate principles to ensure we do the right thing". Concise short formats have also been added, including an Integrity Calendar. All of these measures are designed to help intensify the focus on integrity in daily business operations.

We set great store by face-to-face discussions, and once again conducted a variety of dialogue events with employees at all levels of the hierarchy and with external stakeholders. All of these dialogue events were held virtually because of the protective measures in force due to the covid-19 pandemic. We also developed the Integrity Case Collection during the reporting year. All employees can use this collection of case studies to learn how to behave responsibly in situations that are unclear, share ideas about "proper behaviour" and thus enter into the dialogue. An additional area of focus in 2021 involved the challenges hybrid forms of working

present in terms of ethical behaviour. In order to be able to offer forms of assistance here, all of the Integrity Toolkit's formats were modified in line with requirements relating to mobile and hybrid forms of working.

The employees in administrative areas at Mercedes-Benz Group AG and controlled Group companies regularly attend a mandatory web-based training about integrity that is based on the Integrity Code. Because managers serve as role models, they perform an especially important task with regard to integrity, compliance and legal matters. In order to support them as much as possible in their role, the training programme also includes a special mandatory management module.
↗ Integrity and compliance training programme 2021 — web-based

Employee survey

In the past we used a separate survey to analyse the way our employees view our culture of integrity, but in 2021 we integrated this analysis into our employee survey. Among other things, the survey results are also directly relevant to our management remuneration system.
↗ Results
🌐 Remuneration Report

Effectiveness and results

The effectiveness of our management approach

The success of Mercedes-Benz Group largely depends on a permanent commitment to integrity. That's why we are consistently working on our understanding of integrity and refining it further. Moreover, we continually review our own actions. Surveys such as the Employee Survey play a key role here. The feedback we receive from our employees serves as a yardstick as well as a compass. We find out where we stand with regard to our culture of integrity, and the findings enable us to develop and implement specific measures.

Since 2012 our integrity management has been extensively supported by the external 🌐 Advisory Board for Integrity and Sustainability and further developed on the basis of its ideas. During the reporting year, a workshop was once again held with external stakeholders at the Sustainability Dialogue. The topic of discussion here was "Ethical decision-making and Artificial Intelligence".

Results

The results of the 2021 Employee Survey show that our culture of integrity is more firmly embedded throughout the company than was the case after the last survey, which was conducted in 2018.

The employee survey also revealed that the more open "speak-up" culture is now being further extended and maintained throughout the Group. In other words, our employees are able to talk about sensitive issues in a more open manner. Equally important for us, we also learned from the survey that in comparison with the survey results from 2018 our employees work in an environment based to a greater extent on trust, because only in such an environment can topics be discussed constructively.

In order to implement the measures that were derived from the results reports, we restructured the Integrity Toolkit in the reporting year and adjusted its contents. "Multipliers" from various divisions were trained in order to support managers with follow-up activities relating to integrity and compliance. In addition, the Integrity Network has addressed the findings of the employee survey in order to initiate additional measures for the individual divisions and functions.

Mercedes-Benz Corporate Audit regularly carries out audits in various Mercedes-Benz entities worldwide. Corporate Audit works in accordance with the professional standards and code of ethics of the Institute of Internal Auditors (IIA). Thereby Corporate Audit also takes into account aspects of integrity.

During the reporting year, the trade magazine "Der Compliance Manager" took a close look at the codes of conduct of the DAX-40 companies and evaluated them in depth. Our Integrity Code received top marks in this assessment. This confirms that we have created a good basis for our understanding of integrity within the company.

Compliance management

Strategy and concepts

Value-based compliance management

GRI 103-1/2

Value-based compliance is an indispensable part of the Mercedes-Benz Group's daily business activities and is firmly embedded in our corporate culture. We are strongly committed to responsible conduct. We expect our employees to comply with laws, regulations and voluntary self-commitments. We have defined these expectations in a binding form in our Integrity Code.

Through our Compliance Management System (CMS) we aim to promote compliance with laws and policies at our company and to prevent misconduct. The measures needed for this are defined by our compliance and legal organisations in a process that also takes the company's business requirements into account in an appropriate manner.

Main objectives for compliance management

Below we explain how we are pursuing our main objectives, what laws and policies provide us with orientation in this regard, and what measures we are specifically implementing.

Combating corruption

GRI 205-1/-2/-3

We have committed ourselves to fighting corruption — because corruption is harmful to fair competition, to society and to our Group. Our corruption prevention measures extend beyond compliance with national laws. We also adhere to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003).

As a founding member of the UN Global Compact, and in accordance with one of its ten principles, the Mercedes-Benz Group takes steps to actively combat corruption around the world.
↗ UN Global Compact

Our Corruption Prevention Compliance Programme is based on our Group-wide CMS. An important element of this programme is the integrated risk assessment. When we assess possible risks, we take into account internal information (e.g. a unit's business model) as well as external information such as the Corruption Perception Index of Transparency International. We see increased corruption risks in the area of sales activities in high-risk countries as well as in our business relations with authorised dealers and general agents worldwide, where we employ targeted measures to reduce risks in such areas.

The results of the risk assessment serve as our basis for implementing targeted corruption prevention measures that are oriented toward the risk faced by the unit in question. These measures aim to prevent corruption in all of our business activities. For example, we take a critical look at our business partners and transactions and are especially careful in our interactions with government authorities and officials. In this way, we want to avoid any appearance of corruption or bribery from the very start.

The management of each Group company is responsible for implementing and supervising the measures. In this task, the management cooperates closely with the specialist units within the Integrity and Legal Affairs division. Mercedes-Benz Group AG monitors the management activities of each respective Group company. Companies exposed to an increased corruption risk are supported by an independent Local Compliance Officer, who assists the respective management with the implementation of our Corruption Prevention Compliance Programme.

Mercedes-Benz Group AG regularly assesses the effectiveness of its measures and continuously enhances its methods and processes. Moreover, we offer a variety of communication and training measures to make our employees worldwide aware of the importance of corruption prevention.

In order to ensure an independent external assessment of our Corruption Prevention Compliance Programme, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for corruption prevention in accordance with the 980 Standard of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed at the end of 2019.
↗ The effectiveness of our management approach
↗ Communication and training

Promoting fair competition

GRI 206-1

The Group-wide Antitrust Compliance Programme is oriented to national and international standards for ensuring fair competition. The programme establishes a binding, globally valid Group standard that defines how matters of antitrust law are to be assessed. This standard is based on the criteria of the underlying European regulations and takes into account established legal practice at European antitrust authorities, as well as the rulings of European courts. Our objective here is to ensure a uniform level of compliance and advice in all countries.

By means of an advisory hotline, guidelines and practical support, we help our employees around the world to recognise situations that might be critical from an antitrust perspective and also to act in compliance with all regulations. This is particularly important when employees deal with competitors, cooperate with dealers and general distributors and participate in trade association work. In addition to Mercedes-Benz Group AG's central Legal department and its specialist counsels, the Group's global divisions can turn to local legal advisers, who also ensure that our standards are consistently upheld.

The results of our annual compliance risk analysis serve as the basis for the formulation of appropriate measures — during the reporting year, assessments of new divisions and transformation activities were also among the factors incorporated into the analysis. The responsibility for designing and implementing measures for addressing possible antitrust risks lies primarily with the respective Group company's management, which is also responsible for monitoring the effectiveness of the measures employed. As a result, managers at Group companies cooperate closely with the Integrity and Legal Affairs division, which also provides information on how to implement compliance measures effectively. Within the framework of its Group management, the company monitors the management activities of the respective Group company. Units that face a higher potential risk in particular must also systematically assess the adequacy and effectiveness of locally implemented antitrust compliance measures at regular intervals. To supplement this, our Compliance, Legal Product & Technology and Corporate Audit departments conduct monitoring activities at our divisions, as well as random audits, in order to determine whether antitrust laws and internal standards are complied with. This helps us continuously improve the effectiveness of our Antitrust Compliance Programme and adapt it to global developments and new legal requirements. The associated methods and processes are being constantly refined and improved.

We utilise a variety of communication and training measures to make our employees aware of the importance of competition-related and antitrust laws and issues. Corresponding digital training courses were held during the reporting year. "Contact with competitors" was one of the key topics addressed in particular in the course of the Group's split.

Managers, as well as employees who are involved in trade association work, are also required to take additional courses.

The local legal departments of foreign Group companies independently organised and conducted additional specific training courses.
↗ Communication and training

In order to ensure an independent external assessment of our Antitrust Compliance Programme, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System Antitrust in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed for the second time at the end of 2021, after having been conducted in 2016 as well.

Compliance with technical and regulatory requirements

For Mercedes-Benz Cars & Vans, technical Compliance means adhering to technical and regulatory requirements, standards, and laws. In doing so, we take into account the fundamental spirit of these laws and regulations as well as internal development requirements and processes. Our objective is to identify risks within the product creation process (product development and certification) at an early stage and to implement preventive measures. For this purpose we have established a technical Compliance Management System (tCMS) in our automotive divisions. Its objective is to safeguard compliance with all legal and regulatory requirements throughout the entire product development and certification process. The tCMS defines specific values, principles, structures, and processes in order to provide our employees with guidance and orientation, especially with regard to challenging questions on how to interpret technical regulations.

Mercedes-Benz Cars & Vans has also created dedicated expert units for technical Compliance in the development departments of vehicle-related divisions. Among other things, these expert units manage a network of technical Compliance contact persons within development and certification departments. This network serves as a link between operating units and the compliance organisation. It supports the development departments in matters of technical Compliance. Complex questions regarding technical Compliance are evaluated and then decided in an interdisciplinary process that takes into account technical, legal, and certification-relevant criteria (tCMS committees).

Mercedes-Benz Cars & Vans has expanded the tCMS organisation in the Integrity and Legal Affairs division in order to take into account transformation processes and the particular risks in software development and digitalisation. Here, a new unit was established that adjusts tCMS processes and structures — and supplements them if necessary — in line with specific software development requirements. In doing so, we have also begun to further expand the global tCMS network. The tCMS is managed Group-wide by an independent governance function whose director reports directly to the Board of Management member for Integrity and Legal Affairs. This governance function consists of employees with expertise in various fields, such as development, legal affairs, integrity and compliance. The governance function is organised by division. It develops the tCMS and provides the divisions with legal advice.

Since 2019, the tCMS policy has been applicable for Mercedes-Benz Cars & Vans, and this policy has since then also applied to all Group companies that conduct relevant development and certification activities. The policy summarises the key elements of the tCMS and defines the roles and responsibilities of all relevant functions. Process descriptions have been developed for key elements of the tCMS; the rights and obligations of the tCMS committees are defined in rules of procedure.

Our BPO whistleblower system is also available as a contact partner for reporting technical compliance violations, such as violations of engineering specifications and/or technical safety, or environmental protection regulations.
↗ The BPO whistleblower system

We regularly use various training and communication measures in order to sensitise Mercedes-Benz Cars & Vans employees at the development and certification units of all divisions to issues relating to integrity, compliance and legal regulations in the product creation process.
↗ Communication and training

To also ensure technical Compliance within the Mercedes-Benz Cars & Vans supply chain, we raise the awareness of our business partners, and in particular of our suppliers, regarding the importance of technical Compliance, and we communicate our specific requirements in the form of information guidelines, for example. We also engage in dialogue with selected business partners whose scopes of delivery are especially relevant for technical Compliance. In these discussions we communicate how we ensure technical Compliance and clearly state what we expect of our business partners.

One element of the tCMS is the Technical Integrity initiative, which helps us to further develop the culture of integrity at the product development units and anchor this culture for the long term.

To complement the Integrity Code, the Technical Integrity Management team has worked together with the relevant development units to formulate the "Speak Up" and "Judgement Calls" commitment statement. These principles provide employees in the development and certification units with a basis for a shared understanding of responsible behaviour in the product creation process, especially in case of unclear legal framework conditions. Moreover, they provide guidance for the employees' daily work. In 2021, these commitment statements were further anchored by target group-specific communication measures.

On a regular basis, the executives in the development and certification units have cross-unit exchanges on integrity with employees. These discussions focus on current integrity issues in the technical area.

Mercedes-Benz Cars & Vans evaluates the effectiveness of the tCMS with an annual monitoring process. The improvement measures identified here are considered and addressed.

In order to ensure an independent external assessment of our tCMS, KPMG AG Wirtschaftsprüfungsgesellschaft audited the tCMS with focus on emissions in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit with focus on emissions was based on the principles of appropriateness, implementation and effectiveness, and was successfully completed at the end of 2020.

Responsible handling of data
Connectivity and digitalisation will have a major impact on mobility in the future. The responsible handling and protection of data is a high priority at the Mercedes-Benz Group.

The regulatory requirements relating to data protection have become significantly more stringent in recent years. The strict requirements of the General Data Protection Regulation (GDPR) are valid not only in the European Union but also beyond it. Meanwhile, many countries all over the world that are relevant to the Group's business operations have tightened up their local data protection laws. We are addressing the increased regulatory requirements by means of our Group-wide Data Compliance Management System (Data CMS), which along with our data vision and our data culture is a fundamental component of our overarching Data Governance System.

The Data CMS, which combines all Group-wide measures, processes and systems for ensuring data protection compliance, is based on the existing CMS. The Data CMS supports the systematic planning, implementation and monitoring of compliance with data protection requirements.

You can find detailed information about data compliance in the chapter on data responsibility.
↗ Data responsibility

Sanctions compliance, export controls and money laundering prevention
Money laundering and the financing of terrorism cause tremendous damage — to the economy and society in equal measure. Even an accusation of money laundering can compromise the company's reputation and have financial consequences for ourselves and our shareholders and stakeholders. For this reason, the prevention of money laundering and the implementation of anti-money laundering measures have been defined as central compliance goals in our Integrity Code.

We produce and sell motor vehicles worldwide and offer our customers appropriate services as well as suitable financing and mobility solutions. As a result, Mercedes-Benz Group AG and its Group companies conduct their operations in accordance with the provisions of the German Money Laundering Act (GwG) which apply to "distributors of goods" as well as to financing and leasing companies. For example, we have taken measures throughout the Group to prevent and combat money laundering and the financing of terrorism.

To this end, Mercedes-Benz Group AG has developed a two-pillar model that takes into account the different requirements that distributors of goods and financing and leasing companies have to meet. The first pillar for preventing money laundering encompasses the companies in the Mercedes-Benz Group as distributors of goods; the second pillar pertains to the financing companies that are part of the Mercedes-Benz Mobility Group. In this process, the Group Anti-Money Laundering Officer for the distribution of goods reports to the

Board of Management member for Integrity and Legal Affairs, whereas the Group Anti-Money Laundering Officer for Mercedes-Benz Mobility reports to the Board of Management member for Finance & Controlling. The strategic interaction between the two pillars is ensured by the Anti Financial Crime Committee. This committee brings together the Group Anti-Money Laundering Officers and their deputies from both pillars as well as key stakeholders for compliance and criminal law issues in order to share information.

Mercedes-Benz Group AG has appointed the Chief Compliance Officer to officially serve as the Group Anti-Money Laundering Officer for the first pillar of the company's core business of vehicle sales and services related to the distribution of goods. The company has also appointed a deputy to the Group Anti-Money Laundering Officer and notified the authorities of this appointment. The Chief Compliance Officer reports directly to the Board of Management member responsible for money laundering prevention and is also responsible for anti-money laundering measures at all Group companies involved in the distribution of goods. Moreover, he serves as the point of contact for regulatory authorities, law enforcement agencies, authorities responsible for the prevention, investigation and elimination of potential threats, and Germany's Financial Intelligence Unit.

In order to combat and prevent money laundering while at the same time complying with different regulatory requirements, the Mercedes-Benz Group has established a two-pillar model (distribution of goods and Mobility Services). We use an integrated compliance approach to check applicable sanction lists and take measures for the prevention of money laundering and the financing of terrorism. On the one hand, these measures aim to prevent supranational and national sanctions and embargoes from being evaded; on the other hand, money laundering, the financing of terrorism, organised crime and other types of corporate crime are to be combated.

The AFC & ECL specialist unit helps the Group Anti-Money Laundering Officer perform all of his tasks. For example, it ensures compliance across divisions for Mercedes-Benz Group AG and all of its companies involved in the distribution of goods and is responsible for Group-wide standards and processes pursuant to the German Money Laundering Act. In addition, it is responsible for the Group-wide Sanctions Compliance Programme and export controls. As a central Group organisation, the specialist unit therefore also brings together under one roof our two Centres of Competence for Preventing and Combating Money Laundering and the Financing of Terrorism and the Centre of Competence for Sanctions Compliance and Export Control. These are managed by a locally responsible employee at the respective Group companies.

The Sanctions Compliance Programme, including export controls, is valid for all Group companies. Among other things, it involves the systematic checking of applicable sanctions lists. Business with people, companies and organisations on these lists is potentially illegal and a punishable offence. As stipulated by law, we compare these sanctions lists with the data from customers, employees, strategic cooperation partners and business partners from areas such as procurement and sales. In doing so, we check applicable supranational sanctions lists and embargoes such as those published by the United Nations and the European Union as well as national sanctions lists from various countries, in particular the United States, while taking data protection aspects into account.

The second pillar for preventing money laundering at the Mercedes-Benz Group is located at the Mercedes-Benz Mobility Group, which combines the Group companies that are part of the Mobility division. It implements the standards of the German Money Laundering Act, in particular those that apply to banks, financial companies and financial service providers of the Mercedes-Benz Mobility Group. To this end, Mercedes-Benz Group AG has, under the direction of the Mercedes-Benz Mobility AG Board of Management member for Finance, officially appointed a Group Anti-Money Laundering Officer and a deputy and notified the supervisory authority of their appointment. Both of these individuals function as contact persons for the corresponding authorities and for local units involved in preventing money laundering and the financing of terrorism.

Prevention of money laundering at the Mercedes-Benz Mobility Group is managed by the Anti-Money Laundering@MBM Group Office. On the basis of the Mercedes-Benz Mobility Group policy for preventing

money laundering and the financing of terrorism, this office implements the regulations of the German Money Laundering Act at the Group companies, develops uniform measures for the prevention of money laundering and conducts corresponding checks. These activities are performed in close coordination with the compliance organisation of the Mercedes-Benz Group and the AFC specialist unit for the distribution of goods.

Open source software and licensing agreements

In 2020, the European Commission adopted its new Open Source Software Strategy for the period 2020–2023. The strategy, which was presented under the motto "Think Open", describes a vision for promoting the opportunities open source software offers for innovation and cooperation. The goal here is to support the joint use and reutilisation of software solutions, knowledge and expertise.

Vehicle software is becoming increasingly important for Mercedes-Benz Group AG and its products — especially with regard to comfort, safety, infotainment or automated driving. Along with electrification, digitalisation is a key pillar of the Mercedes-Benz Group's sustainable corporate strategy. Free and open source software (FOSS) is already an established element of vehicle development operations and the digitalisation of the business model, and its use is increasing. Ensuring compliance with licensing agreements is a high priority for us here. This was also reflected in the development of the FOSS ECO SYSTEM in 2019. This system is designed to promote the use and availability of FOSS, while at the same time bringing together all Group-wide measures, processes and systems for ensuring that all licensing provisions are adhered to. The FOSS ECO SYSTEM is based on elements from the existing CMS at Mercedes-Benz Group AG. Employees of all divisions who are involved in software development are trained in the applicable legal and regulatory provisions and also participate in various training courses focussing on FOSS.

In 2021, the Mercedes-Benz Group AG Board of Management adopted a Free and Open Source Policy, which now applies at all Group companies that conduct relevant software development activities. The policy describes the elements of the FOSS ECO SYSTEM and defines the roles and responsibilities of the participating functions.

The Compliance Management System

GRI 103-2

The CMS at Mercedes-Benz Group AG consists of basic principles and measures that ensure compliant behaviour throughout the company. The CMS is based on national and international standards and is applied on a global scale at the Mercedes-Benz Group. The CMS consists of seven elements that build on one another.

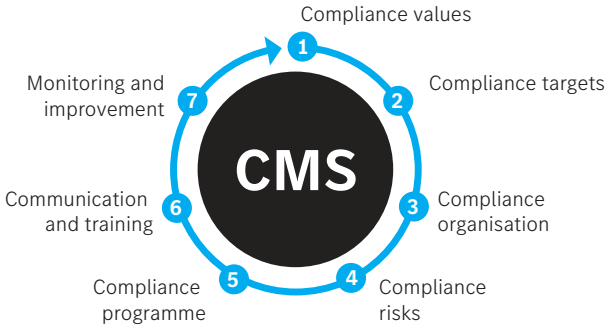
Compliance organisation

GRI 103-2

The Group's compliance organisation is structured divisionally, regionally and along the value chain. As a result, it can provide effective support — for example, by means of guidelines and advice. Contact persons are available to each function, division and region. In addition, a global network of local contact persons makes sure that our compliance standards are met. The contact persons also help the management at the Group companies implement our compliance programme at the local level.

Moreover, the Compliance Board provides guidance regarding overarching compliance topics and monitors activities to see whether our compliance measures are effective. The Board's mission is to react promptly to changes in business models and the business environment, deal with regulatory developments and continuously enhance the CMS. The Compliance Board consists of representatives of the compliance and legal affairs departments, meets at regular intervals and as needed and is headed by the Chief Compliance Officer and Vice President Legal Product & Technology.

The Compliance Management System



The Chief Compliance Officer and Vice President Legal Product & Technology and the Vice President & Group General Counsel report directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. They also report at regular intervals and as needed to the Board of Management on matters such as the status of the CMS and its further development, as well as the BPO whistleblower system.

In addition, the Vice President & Group General Counsel reports at regular intervals and as needed to the Antitrust Steering Committee and the Group Risk Management Committee. The Chief Compliance Officer and Vice President Legal Product & Technology also reports to the Group Risk Management Committee. The structure of the reporting lines safeguards the compliance officers' independence from the divisions.

Compliance risks

GRI 205-1

The company examines and evaluates its Group companies and corporate departments systematically each year in order to reduce compliance risks. In this process we use, for example, centrally available information about the Group companies, such as revenue, business models and relations with business partners. If necessary, other locally sourced information is supplemented. The results of these analyses are the foundation of our compliance risk control.

How we handle legal proceedings

GRI 206-1 GRI 419-1

We assess legal proceedings against companies of the Mercedes-Benz Group as being significant if they represent a particular financial and/or reputational risk. Information about significant legal proceedings against companies of the Mercedes-Benz Group is provided in the Annual Report 2021 as well as in the relevant quarterly reports. These reports also contain information on governmental information requests, inquiries, investigations, administrative orders and proceedings as well as litigation relating to environmental, capital market, criminal, antitrust and other laws and regulations.
Risk and Opportunity Report, AR 2021

Measures

Compliance programme

The compliance programme comprises principles and measures that are designed to reduce compliance risks and prevent violations of laws and regulations. The individual measures, which are based on the knowledge gained through our systematic compliance risk analyses, focus among other things on continuously raising awareness of compliance, the systematic tracking of information received regarding misconduct, and the formulation of clear standards for the behaviour of our business partners. We address these points in greater detail in a later section.

The BPO whistleblower system

GRI 102-34

The Business Practices Office (BPO) whistleblower system enables all Group employees, as well as business partners and third parties, to report misconduct anywhere in the world. The BPO is available around the clock to receive information, which can be sent by e-mail or normal mail or by filling out a special form. External toll-free hotlines are also available in Brazil, Japan, South Africa and the United States. Reports can also be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to a neutral external intermediary in addition to the BPO whistleblower system.

The information provided to the BPO whistleblower system enables us to learn about potential risks to the company and its employees and thus to prevent damage to the company and its reputation. A globally valid corporate policy defines BPO procedures and the corresponding responsibilities. This policy aims to ensure a fair and transparent process that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. It also defines a standard for evaluating incidents of misconduct and making decisions about their consequences.

If the initial risk-based assessment of an incident categorises it as a rule violation with a low risk for the company, the BPO hands the case over to the responsible unit — for example, the HR department, Corporate Security or Corporate Data Protection. The respective unit investigates the incident and deals with the case on its own authority. Examples of rule violations with a low risk for

the company include theft, breach of trust and undue enrichment valued at less than €100,000 — if the violation does not fall into the category of corruption.

If the BPO's risk-based initial assessment categorises an incident as a high-risk rule violation, the BPO hands the case over to an investigation unit. The BPO provides support for the subsequent investigation until the case is closed. Examples of high-risk rule violations include offences related to corruption, breaches of antitrust law and violations of anti-money laundering regulations, as well as violations of engineering specifications and/or technical safety, or environmental protection regulations. Personal matters, such as incidents of sexual harassment or human rights violations, can also be considered high-risk rule violations.

In an effort to constantly increase trust in our BPO whistleblower system and make it even better known to our employees, we use a variety of communication measures. For example, we provide informational materials such as country-specific information cards, pocket guides and an instructional video that is available in ten different languages. We also hold dialogue events in which we provide our employees with information about the BPO. In addition, we regularly inform employees about the type and number of reported violations and make case studies available on a quarterly basis.

Sales partners and suppliers

We expect not only our employees to comply with laws and regulations. We also require our sales partners and suppliers to adhere to clear compliance requirements, because we regard integrity and conformity with regulations as a precondition for cooperation based on trust. Our Business Partner Standards, which were revised in the reporting year, describe in detail exactly what we expect of our business partners.

In the selection of our direct sales partners and in our existing sales partnerships, we ensure that our partners comply with the law and observe ethical principles. In order to monitor this, we use a globally uniform, risk-based Sales Business Partner Due Diligence Process. During the reporting year, we subjected all of the new sales partners to a due diligence audit. In addition, we audit the existing sales partners as part of the monitoring process. Our monitoring in this area is designed to ensure that we can identify possible integrity violations by our sales partners. We also reserve the right to terminate cooperation with, or terminate the selection process for, any partner who fails to comply with our standards. In addition, we work with our procurement units to continuously enhance our processes for selecting and cooperating with suppliers.

The Supplier Sustainability Standards also apply to our suppliers. On the basis of these standards and our Integrity Code, we provide both our suppliers and our sales business partners with Compliance Awareness Modules. These modules are intended to sensitise them to current integrity and compliance requirements such as those related to corruption prevention and technical Compliance. Through these measures we also offer our suppliers and sales partners assistance for dealing with possible compliance risks.
↗ Requirements for suppliers

Communication and training

GRI 102-27 GRI 205-2

Mercedes-Benz Group AG offers an extensive range of compliance training courses that are based on its Integrity Code — for example, courses for employees in administrative areas and in the compliance and legal affairs departments as well as for members of the Supervisory Board and the executive management.

The content and topics of the training courses are tailored to the roles and functions of the respective target group. We regularly analyse the need for our range of training programme, expand or adapt it and conduct evaluations. A web-based and target group-oriented training programme consisting of various mandatory modules is available to all employees in administrative areas. The training programme encompasses a basic module as well as a module specifically for managers and expert modules on various compliance-related subjects.

These modules are automatically assigned when an employee is hired, promoted or transferred to a function that involves an increased risk. Employees must generally complete the training programme every three years. The training is voluntary for industrial employees. The web-based training programme is supplemented by face-to-face training courses, some of which we conducted in digital form in 2021.
↗ Integrity and compliance training programme 2021 — web-based

We also offer information and qualification measures to individuals who perform supervisory and management functions, including new members of the Supervisory Board of Mercedes-Benz Group AG. Among other things, the onboarding programme for new Supervisory Board members provides information about the Antitrust Compliance Programme and the technical Compliance Management System. In 2021, new members of the supervisory boards of Group companies were also provided with information on various topics relating to compliance, data protection and integrity. As part of the onboarding programme, these new supervisory board members were also provided with "Know Your Responsibilities" courses addressing compliance-related topics — for example, corruption prevention and aspects of integrity at the Group companies.

New members of the executive management of Group companies are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator. This module provides information about their tasks and responsibilities, contact partners and points of contact that deal with central topics addressed by the Integrity and Legal Affairs division and adjacent units. The module thus supports such executives in their new role.

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The company monitors the processes and measures of the CMS annually and conducts analyses to find out whether these measures are appropriate and effective. For these activities, we rely on information about the Group companies as well as additional locally gathered information. We also monitor our processes regularly on the basis of key performance indicators such as the duration and quality of individual processes. To determine these indicators, we check, among other things, whether formal requirements are met and the content is complete. We also take into account the knowledge gained through both internal and independent external assessments.

If changed risks or new legal requirements call for adjustments, we adapt our CMS accordingly. The Group companies implement the respective improvement measures. They also regularly monitor these measures to determine their effectiveness and continually inform the responsible management committees about the results of their monitoring process.

Results

Independent audits

In order to ensure an independent external assessment of our compliance programme, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management Systems (CMS) for corruption prevention, antitrust and technical Compliance in accordance with the 980 standard of the Institute of Public Auditors in Germany. These audits, which were based on the principles of appropriateness, implementation and effectiveness, were successfully completed for our CMS Corruption Prevention at the end of 2019, for our tCMS (with focus on emissions) at the end of 2020 and for our CMS Antitrust at the end of 2021. The latter was the second such audit, the first having been conducted in 2016.

Reported violations

GRI 205-3

The BPO (Business Practices Office) whistleblower system enables all Group employees, as well as business partners and third parties, to report misconduct anywhere in the world. A total of 33 new cases were opened during the reporting year (2020: 53 cases). Overall, 20 cases, in which 24 individuals were involved, were closed "with merit" (2020: 42 cases involving 66 participants). In these cases, the initial suspicion was confirmed. Of these cases, two were in the category "Corruption", two were in the category "Technical Compliance" and four were in the category "Reputational Damage". In three cases, accusations of inappropriate behaviour of employees toward third parties — racism or sexual harassment, for example — were confirmed. Four cases were categorised as "Damage over €100,000". The remaining cases fell into other categories. With regard to those cases that are closed "with merit", the company decides on appropriate response measures in line with the principles of proportionality and fairness. The personnel measures taken in the reporting year 2021 included (written) warnings, separation agreements and dismissals (for exceptional reasons).

Integrity and compliance training programme 2021 — web-based

GRI 205-2

Basic Modules	**These modules are automatically assigned to all of the active administrative employees (full- and part-time) at Mercedes-Benz Group AG and controlled Group companies.**	
Basic Module — Integrity@Work *(Key content: integrity and compliance as a competitive advantage, corruption prevention, protection of free competition, protection of personal data, human rights, tip-offs of rule violations)*	**Number of participants**	**17,923**
	thereof	
	administrative employees worldwide:	17,649
	managers worldwide:	274
Basic Module — Sustainability	**Number of participants**	**16,577**
	thereof	
	administrative employees worldwide:	16,315
	managers worldwide:	262
Management Module	**This module is automatically assigned to all of the managers at Mercedes-Benz Group AG and controlled Group companies.**	
Management Module — Integrity@Work	**Number of participants**	**689**
	thereof	
	managers worldwide:	689
Expert Modules	**These modules are automatically assigned to all of the active administrative employees (full- and part-time) at Mercedes-Benz Group AG and controlled Group companies.**	
Expert Module — Anti-Money Laundering	**Number of participants**	**10,692**
	thereof	
	administrative employees worldwide:	9,649
	managers worldwide:	1,043
Expert Module — Antitrust Overview	**Number of participants**	**31,764**
	thereof	
	administrative employees worldwide:	22,803
	managers worldwide:	8,961
Data	**Number of participants**	**117,640**
	thereof	
	administrative employees worldwide:	106,087
	managers worldwide:	11,553
Expert Module — EU General Data Protection Regulation	**Number of participants**	**13,268**
	thereof	
	administrative employees worldwide:	4,747
	managers worldwide:	8,521
Expert Module — Insider Law	**Number of participants**	**3,747**
	thereof	
	administrative employees worldwide:	1,884
	managers worldwide:	1,863
Expert Module — Integrity & Compliance@Procurement	**Number of participants**	**486**
	thereof	
	administrative employees worldwide:	446
	managers worldwide:	40

Integrity and compliance training programme 2021 — web-based

GRI 205-2

Expert Modules	These modules are automatically assigned to all of the active administrative employees (full and part-time) at Mercedes-Benz Group AG companies and controlled Group companies.	
Expert Module — Intellectual Property	**Number of participants**	**4,987**
	thereof	
	administrative employees worldwide:	4,730
	managers worldwide:	257
Expert Module — SCE Relevance@Cars and Vans	**Number of participants**	**9,665**
	thereof	
	administrative employees worldwide:	8,770
	managers worldwide:	895
Expert Module — Social Compliance	**Number of participants**	**676**
	thereof	
	administrative employees worldwide:	208
	managers worldwide:	468
Expert Module — Technical Compliance & Integrity@Cars and Vans	**Number of participants**	**3,945**
	thereof	
	administrative employees worldwide:	3,806
	managers worldwide:	139

Integrity and compliance training programme 2021 — face-to-face[1, 2]

GRI 205-2

	Number of events	Number of participants
Corruption Prevention (incl. general compliance topics)	238	3,373
Anti-Money Laundering	69	714
Antitrust	101	2,798
Sanctions Compliance	55	1,240
Data Compliance	134	3,047
Technical Compliance	38	3,100

1 Some of the face-to-face training courses were partly conducted in digital form during the reporting year.
2 Target group: relevant managers and administrative employees worldwide


Range
1000+ km
Energy
100 kWh

Data responsibility

Materiality and goals

GRI 103-1/-2

Target	Target horizon	Status as of 2021
Evaluate the effectiveness of our Data Compliance Management System[1]	2022	Design: completely fulfilled Implementation: completely fulfilled Effectiveness[2]

1 Multi-stage assessment method for the continual improvement of: 1. Design — is the system designed to ensure that the goals of the Compliance Management System are achieved? 2. Implementation — has the system that has an effective design also been implemented as planned? 3. Effectiveness — is the implemented system being used effectively?

2 The effectiveness of the Data Compliance Management System cannot be reliably determined until at least six months after it has been successfully implemented. This component will therefore not be assessed until 2022.

The covid-19 pandemic has revealed the extent to which digital solutions can ease people's lives. Connectivity, digitalisation and the ability to process large amounts of data will provide huge benefits for the mobility of the future as well. Many of the Mercedes-Benz Group's customers already use real-time traffic data — also known as live traffic information — and other data-based services. More powerful networking ensures more efficient processes in our production operations. Digital product planning conserves valuable resources. Data-based products from our sales and service teams also benefit our customers.

However, while data opens up new business opportunities, its use also requires great care. Data is a sensitive commodity that is worthy of the protection offered by a strict legislative framework. The responsible handling of data is thus becoming increasingly important for the success of the Mercedes-Benz Group.

The regulatory requirements relating to data protection in particular have become much more stringent in recent years. For example, the implementation of the European Union's General Data Protection Regulation (GDPR) has resulted in additional requirements that companies are obliged to meet when they handle personal data. The general public is also now more aware of this issue, so the responsible handling of data has become crucial in terms of a company's ability to compete on the market.

However, the GDPR is not the only challenge facing companies that operate on an international scale. After all, concerns about data protection are not limited to Europe, and throughout the world many countries in which the Mercedes-Benz Group operates have tightened their national data protection laws. Moreover, different societies also have different expectations with regard to data protection.

Strategy and concepts

Data protection and data security

GRI 103-2

Ensuring data security and respecting and protecting personal data are high priorities for the Mercedes-Benz Group. We can only gain the public's acceptance of new technologies such as Artificial Intelligence (AI) if we show that the data of our customers and the users of our products are secure. As a result, we are one of the world's first automotive companies to define and publish fundamental principles for the use of this technology.

For us, data protection begins during the design of new products and services and encompasses numerous additional measures for complying with data security requirements. We use an integrated data compliance management system to ensure the systematic and risk-based planning, implementation and continuous monitoring of all these measures.

Holistic data responsibility

GRI 103-2

Data responsibility involves more than just data protection. The Mercedes-Benz Group is taking on this responsibility with a holistic approach to data governance. This approach covers legal, cultural and organisational aspects. The key aims are the sustainable design of data-based business models and the responsible handling of data in the interests of our customers, employees and other stakeholders. In order to achieve these goals, we have taken a number of measures, for example employee training and the provision of in-depth information to our customers. We have also established a Group-wide Data Governance System that consists of our Group-wide Data Governance Structure, our data vision, our data culture and our Data Compliance Management System.

The Group-wide Data Governance Structure

The Group-wide Data Governance System was developed at the Board of Management's Integrity and Legal Affairs division. The implementation of data governance in the divisions of the Mercedes-Benz Group is the responsibility of the various bodies for data and data analytics. These are cross-functional teams of managers who perform data-related responsibilities. The teams meet regularly to promote the digital transformation at the divisions on the basis of the measures prioritised by the Board of Management. All the relevant specialist units coordinate their current data analytics projects within these boards and create the basis for the efficient and responsible use of data. Specialists at Corporate Data Protection monitor the projects from the beginning in order to help ensure that they are conducted in compliance with all relevant laws.

A Data Governance Committee also exists at the Group level of the Mercedes-Benz Group. This committee defines the framework of core company-wide topics relating to data management, information security, data protection and data compliance. In addition, it makes business policy decisions about the way the company handles data.

Each division is responsible for the operational implementation of our strategic data responsibility goals. Consequently all the divisions of the Mercedes-Benz Group have launched a corresponding programme for the creation of specific processes and systems that ensure the responsible use of data.

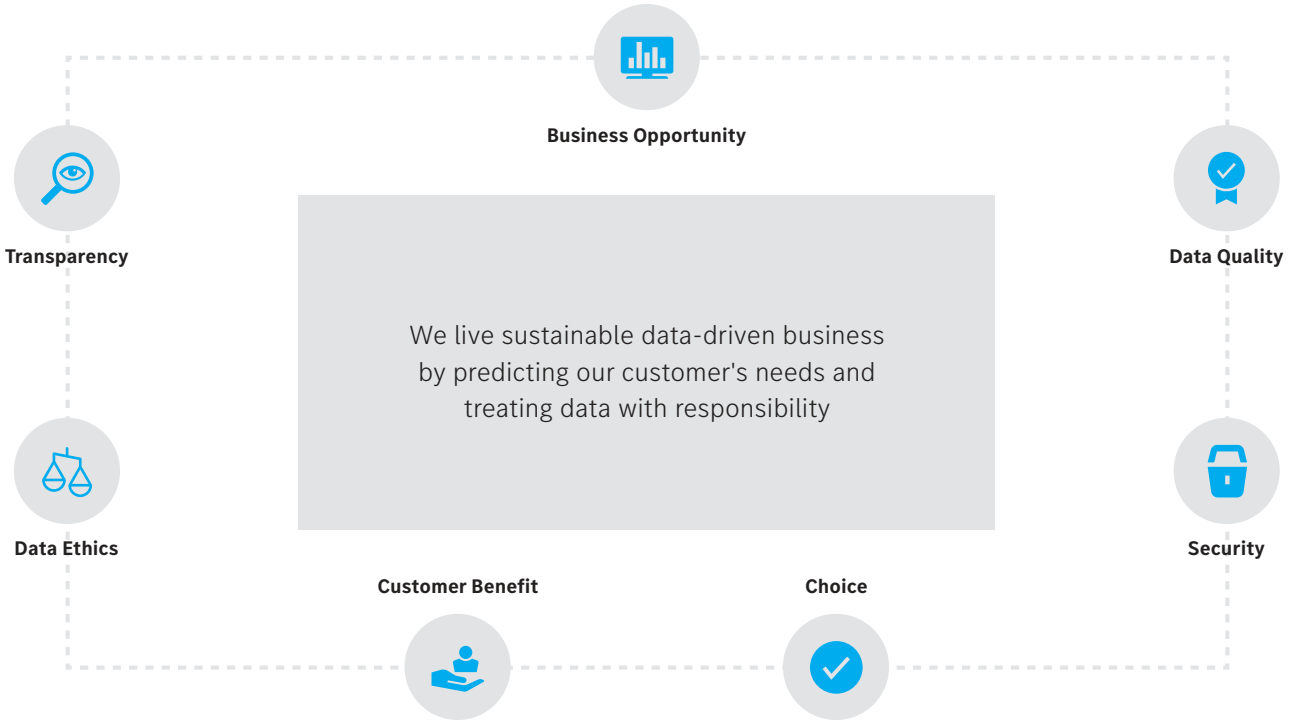
Reliably controlling data protection and data compliance

The Chief Officer Corporate Data Protection at the Mercedes-Benz Group performs the tasks required by law to ensure compliance with data protection rules. Together with his team, he monitors compliance with data protection legislation and our data protection policies. His tasks include handling complaints regarding data protection and communicating with the regulatory authorities for data protection. He also carries out communications and training measures. In addition, he advises responsible individuals and specialist units on all questions relating to data protection. He is independent and reports to the Chief Compliance Officer and the Board of Management member for Integrity and Legal Affairs.

We started to set up the Data Compliance Management System as early as 2018. The first step was to establish the Data Compliance department within the Compliance organisation. We consolidated the tasks of this department under the management of the Chief Officer Corporate Data Protection in the Corporate Data Protection division after the successful establishment of the Data Compliance Management System in 2021. The Chief

Officer Corporate Data Protection defines the individual elements of the Data Compliance Management System and controls its implementation throughout the Group. The tasks of the Chief Officer Corporate Data Protection also include carrying out the annual Data Compliance Risk Assessment and establishing the Data Compliance Programme, which includes all of the measures needed for implementing the Data Compliance Management System. Among other things, these measures include compliance with the formal requirements of the GDPR. One example is the introduction of a record of processing activities in order to meet our documentation obligations. In addition, Group-wide data compliance monitoring and reporting processes exist.

The Mercedes Benz Group Data Vision and Guiding Principles



The Chief Compliance Officer provides a key interface for Group-wide data compliance management. The Chief Compliance Officer heads the compliance organisation and reports on current data compliance developments to the Board of Management member for Integrity and Legal Affairs on a regular basis and also submits quarterly reports to the Board of Management as a whole.

Our approach to the effective management of data protection also relies on local contact persons at our numerous sites and facilities around the world. These Local Compliance Officers or Local Compliance Responsibles support the local management's implementation of the data compliance measures. We specifically prepare these local contacts for their tasks and support them with training courses and consultation.

The data vision provides the framework

The Mercedes-Benz Group's commitment to the responsible handling of data is anchored in its data vision. The data vision provides our employees with a clear framework for how they should handle data. It has been made known throughout the Group and is also included in the current version of our Integrity Code.

The central principles of our data vision include transparency, self-determination and security. We would like our customers to be aware of which data is being

collected, when, and for what purpose. To this end, we provide them with in-depth information in our sales materials, in apps, in operating instructions, in the terms of use, on the data protection landing page and, wherever possible and expedient, directly in the vehicle itself. Our goal is to ensure that our customers can decide for themselves which services they actually use and which data they would like to share — either by consent, by contract or at the touch of a button. They can activate and deactivate the Mercedes me connect services in the Mercedes me Portal or in the Mercedes me App at any time, for example. Customers receive an overview of their personal data and can decide what we may use the data for in the new Mercedes me Privacy Center.
↗ Customer data

The data security in our vehicles also meets our customers' high standards of security. We continually refine our data security measures in line with advances in IT in order to protect the data against manipulation and improper use.

For us, ensuring effective data protection and data security in vehicles is an integral component of the development of products and services. That's why our developers use the privacy by design approach when designing new vehicles and functions and in the conception of digital business models. Many of the current model series already provide technical functions such as live traffic information and active traffic jam assistants that are based on the processing of data. This development is continuing: for example, further innovations such as interconnected vehicles and automated driving functions are on the way.

EU data protection regulation specifies intragroup data protection standards

The Mercedes-Benz Group's Data Protection Policy EU specifies uniform intragroup data protection standards based on the GDPR. It regulates how EU-related personal data of employees, customers, and business partners are to be handled for all Group companies. We utilise it in order to take account of the special regulatory environment in our European core market.

This policy also includes binding corporate rules for Group companies that are located outside the area subject to the GDPR but which nevertheless, as the recipients of cross-border data transfer, process personal data to which the GDPR applies. Our Data Protection Policy EU has been submitted to the responsible supervisory authority in Baden-Württemberg for approval as binding corporate rules as defined by the GDPR.

Our global data and information policy regulates data compliance worldwide

The Mercedes-Benz Group's global data and information policy forms the foundation for the responsible, legally compliant and ethical handling of information and data worldwide. It represents the responsibilities and roles in a data- and information-based environment transparently. In addition, the policy specifies targets, principles and organisational structures and determines measures for implementing the data compliance processes. The policy also includes global standards for data compliance that are designed to ensure that a uniform level of data protection exists worldwide throughout the Group. We thus set a binding standard that is supplemented by the provisions of the Data Protection Policy EU and the applicable local data protection laws.

Data Compliance Management System

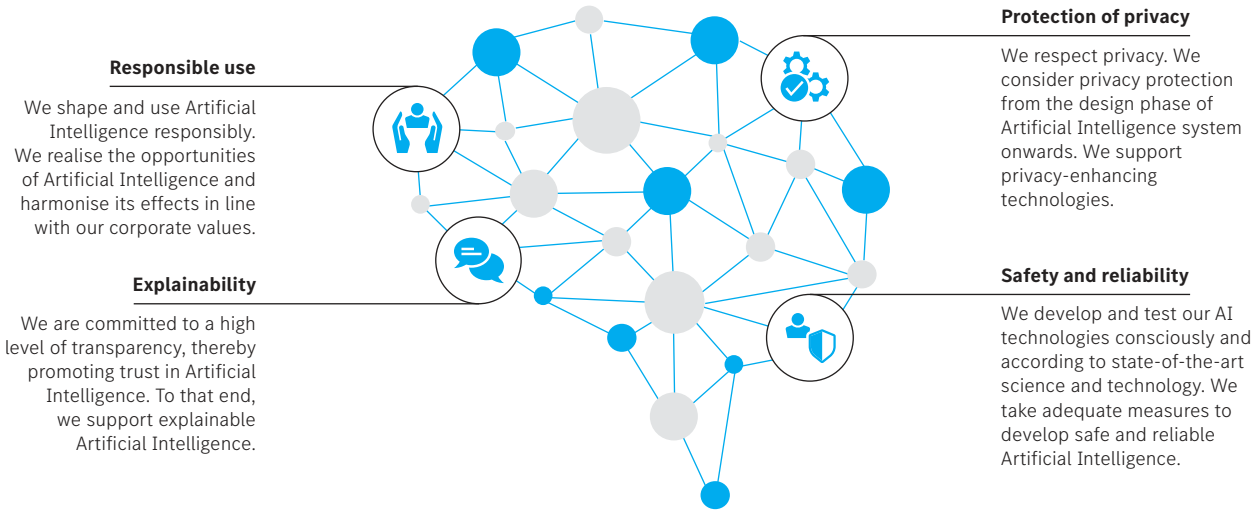
GRI 103-2

The Mercedes-Benz Group's Data Compliance Management System supports the Group in the systematic planning, implementation and continuous monitoring of measures to ensure compliance with the data protection requirements. It takes into account the existing applicable data protection regulations. For our Group companies in the EU, the GDPR is particularly relevant; for our Group companies outside the EU, the relevant local data protection laws apply. Additional areas of the law that are relevant to data use are also being incorporated into this system in order to identify and address possible risks.

Responsible use of Artificial Intelligence

Artificial Intelligence (AI) is playing an increasingly important role for the future of the automotive industry in an extremely wide range of areas. It boosts flexibility and efficiency in production operations and enables us to better fulfil our customers' needs. But alongside its great potential, the use of intelligent systems also holds risks — of which the Mercedes-Benz Group is aware. That's why the responsible use of AI is a high priority for us.

The four AI principles



Four principles for the use of AI

As early as 2019, the Mercedes-Benz Group was one of the world's first automotive companies to define and publish four principles for the responsible use of AI. They are: responsible use, explainability, protection of privacy, and safety and reliability. The objective is to approach AI-specific risks preventively. These principles are intended to provide our employees with a framework for the development and use of AI and to strengthen trust in our AI-based solutions.

The principles are anchored in the Mercedes-Benz Group's Integrity Code. They supplement our data vision and are thus an important part of our company's digital responsibility.

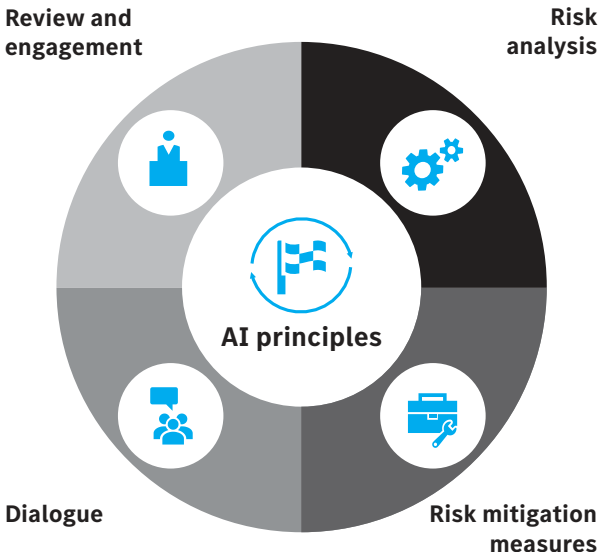
Governance for AI

In addition, the Mercedes-Benz Group has developed a framework for using AI — the Artificial Intelligence Governance Model (AIGM). On the one hand, we want to use this risk-based agile approach to ensure the legal and ethical use of AI in practice. On the other, we want it to provide an even stronger anchor for the four AI principles.

The AIGM will support us here in recognising and minimising legal and ethical risks at an early stage, and thus enable the responsible implementation of AI-based business models. At present, it is especially focussed on systems that apply machine learning or deep learning.

Our AI principles, which are complemented by the four areas of action — risk analysis, risk mitigation measures, dialogue, and review and engagement — are at the heart of the AIGM.

The Artificial Intelligence Governance Model



The Mercedes-Benz Group launched a wide range of AI governance initiatives during the reporting year. The focus was on testing and optimising our AIGM processes and measures in various business and functional units.

For example, we have introduced an innovative chatbot solution. It helps our employees to quickly and simply assess AI-specific risks. Furthermore, we have extended our general provision of information and advice with a guideline for the practical implementation of our AI principles. In addition, we have set up a central AI governance advice point. This is part of the Board of Management division Integrity and Legal Affairs. We have expanded our range of training courses with an AI governance training module.

We have also used the regular involvement of our external stakeholders — in the context of our association and committee work with the Federation of German Industries (BDI) and the European Automobile Manufacturers' Association (ACEA), for example — to provide further momentum for responsible AI governance. Our Sustainability Dialogue 2021 was also focussed on the responsible use of AI. Together with representatives from business, science, government and society, we discussed the topic "Decision-making in the Age of Artificial Intelligence — Our Responsibilities as Participants" in the working group Employees and Integrity.

We plan to continue our AI governance activities in 2022.

Measures

Internal information and training measures

As part of its data-driven transformation, the Mercedes-Benz Group is promoting a more active use and responsible handling of data. The seven principles of our data vision provide us with a framework for these activities.

In order to establish our data culture throughout the Group, it is important that all of the employees embrace these principles and put them into practice in their daily work. To this end, we implemented extensive information and training measures for all employees in 2021. These included a new web-based training programme in particular. It uses practical questions to explain the importance of handling data correctly. The training programme has been introduced worldwide and is compulsory for all administrative employees.

Moreover, various web-based training courses and sessions enable our employees to address the topics of data culture and data governance. They are trained in the responsible use and sharing of data and are taught how to increase transparency and data quality. In addition, the Data Navigator and the Digipedia provide all employees with two platforms that contain all of the key information as well as numerous data-related learning opportunities.

Every three years, all employees at our controlled Group companies who have e-mail access must complete the Integrity@Work web-based training course, which also raises their awareness of data protection issues. Participation in the web-based training course "Expert module — EU General Data Protection Regulation Overview" is obligatory for managers in the EU. The course was reworked during the reporting year and the target group has completed the new version. Local management at every Group unit can require other employees to participate in these courses. Thanks to our IT-supported Learning Management System, all training measures are available around the globe.

Employees from units where data protection is particularly relevant, such as human resources, sales and development, are trained in person by the respective Local Compliance Officer or Local Compliance Responsible. This training is carried out either in person or online. In addition, we produce annual training plans for units at the Group that are subject to high data protection risks. Participation in the training courses is documented. For example, we have trained all of the executives in the Research and Development unit in the basics of data protection and in the fundamentals of privacy by design during the reporting year. The executives' participation is mandatory. We recommend that all other managers and employees for whom the training course is relevant due to their job profile should also complete the training course.

The onboarding process for new managing directors at Group companies also includes an overview of the Group's Data Compliance Management System. All managers can also conduct their own independent study programme using the Corporate Governance Navigator on the Group intranet, which also includes information on the topic of data protection.

The local data compliance organisation is particularly important in the implementation of, the consulting for, and the monitoring of the compliance measures. For this reason, our Local Compliance Officers and Local Compliance Responsibles at Group units with a medium or high data protection risk classification also take part in a data compliance qualification programme in addition to the aforementioned courses. In this programme, they obtain basic knowledge on data protection law and receive instruction in how to handle specific tasks. Local Compliance Officers and Local Compliance Responsibles at Group units with a low data protection risk classification take part in a video-based training programme with comparable content.

Customer data

The Mercedes-Benz Group sets a high standard for the handling of its customers' personal data. Customers can now use our Mercedes me Privacy Center, which was introduced in 2021, to obtain an even faster and more straightforward overview of what personal data of theirs is stored. They can decide for which purposes Mercedes-Benz is allowed to use this data. The focus here is on user-friendliness, so that the customer can directly navigate to his or her available choices via five intuitive categories. This service underlines the principles of self-determination, transparency and security as set out in the data vision and stands for the responsible handling of data.

Supplier data

Before it commissions a service provider who processes personal data, the Mercedes-Benz Group checks whether this company can process the data received in compliance with legal requirements, especially those of the GDPR. The decisive consideration is whether the service provider can demonstrate that it verifiably implements technical and organisational measures for ensuring data security.

Risk assessment

The Data Compliance Risk Assessment is a key component of the Mercedes-Benz Group's Data Compliance Management System. This assessment is a systematic process conducted by the Data Compliance team each year in order to identify, analyse and evaluate data compliance risks at our company. This applies equally for Group companies and for the central entities. The results of this analysis form the basis for managing and minimising risks.

The assessments are based on centrally compiled information on all Group entities; specific additional details are taken into account in line with the given risk assessment. First, the Data Compliance team makes an assessment on the basis of internal and external information. This includes, for example, an examination of data processing indicators that result from normal business activities and an analysis of the regulatory environment in the country in which the given Group unit is located. Data Compliance uses these indicators to determine whether the Group entity in question is exposed to particular risks and therefore needs to be looked at more closely. In such cases, the unit also makes use of information from the Group's local entities for its risk classification. The Chief Compliance Officer and the Divisional Compliance Officers'/Regional Compliance Officers' network confirm the results of the annual Data Compliance Risk Assessment and report these results to the Board of Management and Supervisory Board committees of Mercedes-Benz Group AG, Mercedes-Benz AG and Mercedes-Benz Mobility AG.

Digitalisation risks

The digitalisation strategy opens up new opportunities for the Mercedes-Benz Group to increase customer utility and reinforce the values of the company. Nonetheless, the high degree of penetration of all business units by information technology (IT) also harbours risks for our business and production processes and the units' products and services.

Cybercrime and malware harbour risks that could affect the availability, integrity and confidentiality of information and IT-supported operating material. In the worst case, this would result in IT-supported business processes being interrupted — despite comprehensive precautions. This scenario could have a negative effect on the company's financial result. Furthermore, the loss or misuse of sensitive data can, in some circumstances, lead to reputational damage. In particular, stricter regulatory requirements such as the GDPR can also provide a basis for third-party claims — and lead to costly regulatory instructions and fines that have an impact on the financial result.

The globally active Mercedes-Benz Group and its comprehensive business and production processes must be able to store and exchange information currently, completely and correctly. Our internal IT security framework is oriented according to international standards and also draws on industry standards and good practices for its protective measures. New regulatory requirements for cybersecurity and cybersecurity management systems are taken into account in the further development of our processes and standards.

Secure IT systems and a reliable IT infrastructure are operated with an eye for the need to keep information secure. In addition, risks are identified over the complete life cycle of applications and IT systems and treated according to their importance. We place a special focus on risks that lead to the interruption of business processes as a consequence of an IT system failure or the loss or falsification of data. Special attention is required in this area due to the advance of the digitalisation and networking of manufacturing facilities. For this reason we are continuing to further develop our technical and organisational security measures.

The demands regarding the confidentiality, integrity and availability of data also continue to grow. For this reason, the Mercedes-Benz Group has implemented a large number of measures to minimise the associated risks at the earliest possible stage and to limit possible damage. Emergency plans have been created and our employees are regularly trained and made aware of the issues.

We analyse specific threats and coordinate our countermeasures in a globally operating Cyber Intelligence and Response Centre. In addition, we continually extend the protection of our products and services against the dangers of hacker attacks and cybercrime. We also operate cybersecurity programmes in order to systematically reduce the risks.

We estimate that the extent of the IT-related risks and the probability of corresponding incidents occurring was unchanged in comparison to the previous year on the basis of the constant implementation of countermeasures.

Dealing with personal data breaches

GRI 418-1

The Mercedes-Benz Group has established a central reporting system for all incidents involving information security: the Information Security Incident Management Process. It is available around the clock. Employees and contractors are instructed to report all potential personal data breaches via this system. Incidents relating to data protection that occur at units subject to the provisions of the GDPR are addressed by the Corporate Data Protection unit. This is assisted in its local investigations by a local Incident Support department. The Corporate Data Protection unit then issues a recommendation to the local management team as to whether supervisory authorities must be informed of the incident and whether those affected by it must be notified within the period stipulated by law. Local Incident Support departments handle incidents relating to data protection that occur at units that are not subject to the GDPR. Together with the local management teams, these departments decide whether supervisory authorities must be informed of an incident and whether those affected by it must be notified. Here, the Corporate Data Protection unit can be brought in for support at any time. The results of all investigations have to be submitted to the Corporate Data Protection unit for documentation purposes.

During the reporting year, a small number of cases were reported to the responsible data protection supervisory authorities. The authorities did not take any measures against the company in response.

Alongside the data protection incident management process, the Mercedes-Benz Group has established a general whistleblower process via which all potential compliance violations can be reported. This system is tasked with fairly and adequately investigating reports on incidents that pose a high risk to the company and its employees. The Data Compliance team teaches all Local Compliance Officers and Local Compliance Responsibles how to address complaints. These courses provide information on local and non-European data protection provisions and on the requirements defined in the GDPR.
↗ The BPO whistleblower system

The contact details of the Chief Corporate Data Protection Officer are publicly available, and customers

can direct their questions or concerns regarding data protection to him or his team at any time.

The number of complaints received by Corporate Data Protection was on a lower level overall. Data protection supervisory authorities conducted investigations in response to customer complaints. This figure was in the low single-digit range. No measures were taken against the company as a result of any of these investigations.

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The Mercedes-Benz Group's Data Compliance Management System is constantly being further developed. Based on an annual monitoring and reporting process we examine the extent to which the previously defined measures have been implemented and the objectives pursued have been achieved. In this way, the compliance organisation continuously assesses whether the compliance management system is appropriate and effective. The resulting respective need for action and the measures subsequently taken are documented in the compliance reporting and the implementation is documented in the system.

Results

The annual monitoring evaluation of the Data Compliance Management System has shown that the design of the system continues to be appropriate and suitable for achieving our compliance objectives. There are no indications that the implementation objectives of the Data Compliance Management System were not fully achieved in the reporting year 2021. We intend to also evaluate the third stage, the effectiveness of the Data Compliance Management System, in 2022.

Partnerships

Materiality and goals

GRI 103-1/-2

Target	Target horizon	Status as of 2021
Make lobbying activities transparent and verifiable on the basis of defined evaluation criteria	2022	
Milestone: Continue stakeholder interviews and derive necessary measures for future political representation of our interests	2022	
Milestone: Develop an evaluation concept to determine the current situation	2021	**Target achieved:** – Concept developed – Initial stakeholder interviews conducted

Human beings can only overcome the major social and environmental challenges we face, such as climate change and increasing urbanisation, by working together. The company is contributing to this cooperation. We are bringing our expertise with us as we join the social dialogue and work on solutions together with representatives of governments, business and society.

The Group wishes to take part in political and public opinion-shaping processes as a trustworthy and dependable discussion partner. The overarching goal of our approach is the long-term harmonisation of the company's interests with the interests of society at large.

Strategy and concepts

Sustainability as a key topic for our partnerships

For the Mercedes-Benz Group, the Paris Agreement represents more than just an obligation; our commitment to its targets stems from our fundamental convictions. Our political lobbying activities and partnerships are in line with this conviction and the climate-protection goals agreed upon in the Paris Agreement. Our lobbying strategy thus also clearly adheres to the corporate strategy of the Mercedes-Benz Group.

For example, the topic of the "Partnerships" workshop at the Sustainability Dialogue 2021 was: "How can society, government and industry cooperate most effectively so that sustainability goals can be jointly attained?". Representatives from government, the business community and NGOs held discussions and presented solutions for CO_2 reductions and the mutual counteraction of climate change.

The Mercedes-Benz Group's position was particularly confirmed by the signing of the COP26 declaration on accelerating the transition to 100% zero emission cars and vans in Glasgow in November 2021. This declaration also reflects the focus of our lobbying strategy.

Focus on stakeholders

GRI 103-1

At the Mercedes-Benz Group we consider it important to precisely understand the interests and expectations of our stakeholders. This is the only way we can determine what our shared positions are, so that we can initiate corresponding projects and measures.

Our activities for representing our political interests are always aligned with our most important positions as a company. In order to determine these positions, we have established standardised processes that take both internal and external expectations into consideration. Furthermore, we always communicate with our stakeholders reliably and on the basis of facts.

A constructive international political dialogue in our worldwide markets is essential for the sustainability of our business operations. Through our broadly based international network, we are safeguarding this dialogue with our political stakeholders. When planning new projects or addressing location-specific topics, the Mercedes-Benz Group also communicates with the responsible parties at the local level — this is how we want to find practicable solutions and create conditions that benefit everyone concerned.

Dialogue with government and society

GRI 103-1/-2

Representing our company's political interests means engaging in a continuous dialogue with decision-makers, including members of parliament, government and public officials, and representatives of political interest groups, trade organisations and business associations. The Mercedes-Benz Group holds discussions with such individuals at many levels, listens to what they have to say, communicates our interests and concerns to them, and declares our willingness to assume social responsibility. Our strategy for representing our political interests is aligned with our corporate strategy. The transformation of the Mercedes-Benz Group and the automotive industry as a whole plays an especially important role in our talks.

We also seek to establish a dialogue with representatives of non-governmental organisations (NGOs) and social movements in order to find holistic solutions for collective challenges.

Responsible representation of our interests

GRI 103-2

The Group has defined its own principles for political dialogue and the responsible representation of its interests. We maintain political restraint, balance and neutrality in our dealings with political parties, members of parliament and government officials.

We use various instruments to ensure that the political representation of our interests is carried out in accordance with applicable regulations and ethical standards. In our work as a member of sector associations and in our cooperation with other companies, we pay particular attention to antitrust regulations. We have also defined internally binding requirements that are laid down, among other things, in the Group's Integrity Code.

In addition, our policy for "Lobbying and Political Donations/Donations to Political Parties" governs grants,

donations to political parties and the use of other instruments for representing our interests in the political realm. The employees can find these policies in the policy database on the intranet. The Mercedes-Benz Group is also listed (currently under the name Daimler AG) in the Transparency Register of the European Union and complies with the register's Code of Conduct. Furthermore, we welcome the decision of the German Bundestag to establish a lobbying register on the national level starting in 2022.

The policies mentioned above also define how we intend to address risks in connection with the political representation of our interests. We also address these risks through firmly established Group-wide compliance processes. Complaints and information regarding our Group activities related to the political representation of our interests can be addressed to the Business Practices Office (BPO) whistleblower system.
↗ The BPO whistleblower system

In accordance with the legal requirements and our Group's internal policies, we regularly conduct mandatory training courses for employees of Mercedes-Benz Group companies. The Integrity and Legal Affairs unit contacts the corresponding target groups that must complete the training courses. These training courses can usually be completed online as self-study courses. Employees who are politically active in their role — as a Plant Director, for example — receive additional training for their tasks.

Central coordination office

GRI 102-2

The External Affairs (EA) unit is our central coordinating body for political dialogue at the national and international levels. It is located in Stuttgart and falls under the responsibility of the Chairman of the Board of Management. The EA unit shapes the Group's relations via a global network with offices in Berlin, Brussels, Beijing and Washington as well as corporate representations in our markets. Our aim is to provide content that has been coordinated throughout the Group for the political representation of our interests and to address political and social target groups in a coordinated manner.

The head of the EA unit is a permanent member of the Group Sustainability Board and as such is an active contributor to its work on many topics relevant to sustainability. In addition, EA cooperates closely with the members of the Board of Management and the specialist units on questions related to the representation of our interests. To this end, the unit organises the meetings of the Governmental Affairs Committee for various Board of Management divisions, among other things. At these meetings, which are held several times a year, the Head of External Affairs and other representatives from the unit hold discussions with Board of Management members and other top managers to coordinate the positions and processes that are of key importance for the company. We also receive individual stakeholder enquiries concerning various topics related to sustainability. These enquiries are addressed directly and in a decentralized manner by specific departments and business units. This approach brings our stakeholders closer to our business operations and makes it possible to directly incorporate specialised knowledge into the dialogue. Individual enquiries are also reported at the meetings of our sustainability bodies so that they can be taken into consideration in our strategic decisions. Our sustainability bodies also coordinate the dialogue concerning interdisciplinary issues with our stakeholder groups.

The External Affairs and Public Policy unit ensures that the positions taken in the political representation of our interests correspond with the goals and content of the Mercedes-Benz Group's sustainable business strategy as well as with our policies and other public statements.

In accordance with our policy regarding lobbying and political donations/donations to political parties, employees at controlled Group companies of the Mercedes-Benz Group who represent our political interests must register with the EA unit if they are not organisationally under its direction. We recruit new personnel for the EA unit as part of the standardised human resources processes of the Mercedes-Benz Group.

Thematic focal points

The Mercedes-Benz Group's specific aim in the discussions with political decision-makers is to find sustainable solutions for social challenges and thus achieve greater planning security for the company. Sustainability plays a crucial role in terms of representing our interests in connection with our partnerships and our lobby-

ing activities. During the reporting year, the discussions focussed on the following topics in particular:

Achieving climate targets and improving air quality
For the Mercedes-Benz Group, the Paris Agreement on climate protection is more than a duty. We support the agreed-upon climate protection targets on the basis of our moral conviction. To this end, we are investing extensively in the development and production of alternative drive systems in line with our electric-only approach. We are also committed to the target of air quality in cities. Through our products we aim to make largely climate-neutral mobility possible — especially in urban areas — starting in 2030.

To achieve the mobility sector's climate goals, we need a regulatory framework that is stable over the long term and is not tied to any specific technology. Furthermore, we welcome the efforts being made at the political level to create a needs-based charging infrastructure and to expand renewable energy sources. This is the only way to achieve climate-neutral mobility.
↗ Climate protection
↗ Air quality

Making cities more liveable
Clean, safe, generally accessible and affordable mobility is a precondition for a high quality of life in cities. To make this possible, smart systems are needed in order to link all of the transport systems to one another and coordinate their use. Each transport system should preferably be used wherever it offers the most benefits. To ensure that CO_2 neutral individual mobility continues to be firmly established in cities, the public charging infrastructure should be expanded in cities and along main traffic arteries.

The transformation of mobility in cities will be successful only through cooperation with political decision-makers. That's why the Mercedes-Benz Group is participating in Germany's Plattform Urbane Mobilität (Platform for Urban Mobility), among other organisations, and participates in the Agora Verkehrswende Council. On this platform, representatives of industry and cities discuss urgent aspects of the mobility transformation and cooperatively derive the corresponding measures.
↗ Sustainable urban mobility

Improving traffic safety
Vehicle and traffic safety have always been and continue to be an important focus of our vehicle development activities. The Mercedes-Benz Group supports the efforts undertaken by government authorities to achieve the conditions for further improvements in traffic safety by means of automated driving, for example.
↗ Traffic safety

Establishing standards for human rights due diligence
For the Mercedes-Benz Group, respect for human rights is a fundamental component of responsible corporate governance and part of our sustainable business strategy. Our commitment and our goal are to ensure that human rights are respected and upheld in all of our Group companies and by our suppliers.

In order to implement our sustainability requirements along the supply chain, we advocate the creation of uniformly accepted standards — ideally at the international level. A statutory regulation can help to create legal certainty and internationally accepted uniform standards. In order to promote fair competition, the regulation should also create equal competitive conditions for everyone in the future. In this way human rights can be further strengthened in global value chains. Moreover, the scope of due diligence obligations must be clearly defined with regard to human rights. Due diligence obligations should be limited to the actual scope of economic influence and juridical authority along the supply chain and the value chain in order to ensure that measures are adequate and can be implemented.
↗ Human rights

Sustainable financing
The Mercedes-Benz Group supports the goal of sustainable financing in order to promote investments in sustainable growth. An appropriately designed taxonomy of sustainable business operations can help to make markets more transparent and guide investments toward sustainable activities.
↗ Sustainable corporate governance

Location-specific issues
The Mercedes-Benz Group is in close contact with political and social stakeholders in the local areas of our plants. Our top priority here is to harmonise the interests of our plants and the concerns of the local stakeholders.

Free and fair trade
As a globally operating company, the Mercedes-Benz Group promotes free and fair trade. Free trade and investments are key factors for innovation, employment, growth and prosperity.

Contributing to the drafting of employment legislation
In order to comply with the requirements of digitalisation and the transformation of the automotive industry, the Mercedes-Benz Group advocates the modernisation of labour laws. Among other things, they should be adapted to the rising demand for flexible working time models. We consider the Universal Declaration of Human Rights and the Core Labour Standards of the International Labour Organization (ILO) to be particularly important for the shaping of labour laws.
↗ Employees

Measures

Event and dialogue formats

In its dialogue with private individuals, political decision-makers, industry representatives and NGOs, the Mercedes-Benz Group has discussed current topics and worked to find joint solutions to social and environmental issues. The focus was on sustainability, electric mobility, digitalisation and urbanisation, as well as these issues' impact on society.

By continuing to develop the representation of our political interests, the Mercedes-Benz Group aims to engage in a dialogue with stakeholder groups, which are playing a growing role in an increasingly critically minded civil society. This direct engagement with a broader, well-informed, critical and, above all, interested public is very important to us. At the same time, we ourselves can — and intend to — define topics and initiate discussions both within and outside the company.

The EA unit has developed various event and dialogue formats in order to enable open discussions with a wide spectrum of interest groups. We use these formats to specifically approach decision-makers and other societal stakeholders in order to discuss not only core topics in the automotive industry but also relevant issues that will shape our future. In doing so, we are open to other viewpoints so that we can learn from them. Moreover, we contribute our knowledge and commitment to these discussions. We also use external platforms to talk with government officials, politically and socially committed groups, opinion leaders and experts in order to work with them on the sustainable transformation of the automotive industry.

For example, we participate in the strategic dialogue of the automotive industry in Baden-Württemberg, as well as in the German government's National Platform on the Future of Mobility and many other forums. In addition, Group representatives participated in many panel discussions, such as the digital workshop "Obstacles to Electric Mobility" organised by the German Association of Energy and Water Industries and "The European Green Deal: Challenges for Electric Mobility", an event organised by the Parliamentary Group for Electric Mobility.

Even in the ongoing pandemic situation, we consider it very important to continuously share information between external stakeholders and Group representatives. For example, the EA offices in Berlin and Brussels have implemented virtual formats to engage in discussions with representatives of the Federal Association of Goods Transport, Logistics and Waste Disposal and of Shell Deutschland about how innovative technologies can be used to decouple transport systems from fossil fuel consumption. They have also entered into discussions of this topic with various NGOs, such as Environmental Action Germany, Greenpeace and the General German Automobile Club (ADAC).

The EA office in Washington is also in continuous contact with stakeholders. For example, it has joined other automakers as a participant in the Electric Vehicles Stakeholder Forum of the Alliance for Automotive Innovation.

Depending on the communication format, events are conducted either by specialists from the EA unit or by employees who act as representatives of the Mercedes-Benz Group's political interests as part of their work abroad. In addition, managers from the respective locations generally take part in discussions of current topics with representatives of society and government.

Due to the ongoing covid-19 pandemic, the events were held either as safe hybrid formats or entirely in the digital sphere.
↗ Stakeholder dialogue

Donations to political parties and other political organisations

GRI 415-1

The entire Board of Management of Mercedes-Benz Group AG has to approve all donations to political parties (regardless of the amount) as well as all donations of €50,000 or more (including taxes) to other organisations. Furthermore, the EA unit has to submit its opinion before any decision can be made. The Group did not make any financial or non-financial contributions to political parties during the reporting period. This decision was not based on current political or economic events.

Associations and initiatives

GRI 102-12/-13

In addition to the direct dialogue with political decision-makers and other interest groups that promote sustainable development, the company is active in various associations, committees and sustainability initiatives. Some of the most important initiatives here are the UN Global Compact, econsense – German Business Forum for Sustainable Development and the World Business Council for Sustainable Development. Within these initiatives we also hold discussions with representatives of civil society. We are also involved in industrial associations such as the German Association of the Automotive Industry (VDA) and corresponding associations in other countries.

Associations assume a national political responsibility because they express the business interests of a variety of companies or sectors and serve as a point of contact for governments. As part of our work within these associations, we are active in working groups that are relevant to our core business activities. Here we contribute our company-specific perspective and experiences and help to promote the political discussion on a fact-based and well-qualified foundation. We always take antitrust regulations into account and operate within the legal framework. Our work within associations focuses, among other things, on air quality in German cities and the promotion of sustainable mobility.

We also actively participate in the development of innovative solutions by means of our know-how and our technology. In addition, we maintain regular contact with representatives of civil society and other companies. Moreover, we participate in further associations, committees and sustainability initiatives as well as the dialogues that we have initiated ourselves. Here we contribute our expertise in areas such as the modernisation of legislation regarding batteries and the charging infrastructure.
↗ Memberships and participation

The Paris Agreement on climate protection

The Mercedes-Benz Group has set its own goals for the reduction of CO_2 emissions. These goals are based on the latest findings of climate research regarding the measures that are needed to achieve the targets of the Paris Agreement on climate protection. We have defined measures with which we intend to attain these goals. We have also defined a concrete CO_2 reduction pathway in accordance with the requirements of the Science Based Targets initiative (SBTi). The SBTi has confirmed that this pathway conforms to the Paris Agreement on climate protection. Our involvement in this initiative has further underlined our commitment to achieving the climate goals.

Our direct lobbying activities are also aligned with the goals and targets of the Paris Agreement and are thus in accordance with our corporate strategy. For example, during the “Sustainability Dialogue” 2021, the “Partnerships” workshop addressed the question of how different stakeholders can work together in order to achieve sustainability targets. Specifically, representatives from society, government, the business community and NGOs held discussions and presented solutions for CO_2 reductions and the mutual counteraction of climate change.

In addition, during the UN Convention’s Conference of the Parties (COP) in 2021, we signed the “COP26 declaration on accelerating the transition to 100 per cent zero emission cars and vans”. In this declaration, along with other companies, cities and governments, we are supporting completely emission-free transport in the future, with the aim of speeding up the pace of electrification. This declaration also reflects the focus of our lobbying strategy.
↗ Sustainability Dialogue
↗ Climate protection

Local and regional dialogues

GRI 413-1

As a responsible company and employer in many regions, the Mercedes-Benz Group has an interest in

finding solutions for regional and supra-regional problems in partnership with other interest groups. We live up to our social and environmental responsibility, and we realise that our participation in partnerships and initiatives goes beyond our own business goals.

The company also holds discussions with its stakeholders at the location level. In connection with specific occasions and projects, the Group addresses questions, concerns, criticism and suggestions made by stakeholders and enters into an open-ended dialogue with them. We also stage dialogue and information events on current topics as we further develop the representation of our political interests.

For example, during the reporting period, we suggested land use measures for the Untertürkheim plant to the Stuttgart City Council and succeeded in having them developed further.

In addition, the top-level meeting of the state government of Baden-Württemberg's strategic dialogue for the automotive industry took place in October 2021. The objective of the meeting was to facilitate an exchange between all of the institutions and companies participating in the strategic dialogue and to discuss current challenges relevant to the transformation of the automobile industry. At this meeting the Mercedes-Benz Group provided information about the current status of its electric mobility offensive and its progress on the road to CO_2 neutral mobility, among other topics.

The results of these dialogues are incorporated into further decision-making and decision implementation processes at the company.

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The EA unit reports to the Advisory Board for Integrity and Sustainability about its activities and incorporates the Advisory Board's feedback into its planning. In addition, EA activities and analyses are regularly a part of the Board of Management's reports to the Supervisory Board of Mercedes-Benz Group AG.

The effectiveness of our dialogue and our active participation in associations is especially evident in the discussions of draft legislation and political projects. On the one hand, we ensure that the company's legitimate interests can be taken into account during the legislative process and, on the other, the company can thus address future regulations at an early stage and take strategic measures accordingly. This enables the company and government to develop sustainable concepts for the transformation of the automotive industry.

This management approach, which involves a constructive discussion with our stakeholders, is effective if the company's overall result is positive and sustainable, and if our products are accepted as part of the solution for the current challenges.

Results

During the reporting year we worked together with external consultants to develop an evaluation concept for making the lobbying activities transparent and verifiable. The concept is based on a scientific foundation. As part of the groundwork, we initially conducted a benchmark analysis of responsible lobbying work. To this end, we systematically evaluated publications and guidelines formulated by international organisations, NGOs and others. On this basis, we were able to define the performance indicators, the stakeholder target groups and the evaluation methodology. In the next step, we reviewed the evaluation concept. In 2021 we conducted the first anonymous interviews with internal and external stakeholders — including representatives of NGOs, think tanks and associations as well as from politics and administration. Based on these interviews, we were able to validate the methodology of our evaluation concept before continuing the surveys.

ENVIRONMENT

ENVIRONMENT

Climate protection

Materiality and goals

GRI 103-1/-2

Targets	Target horizon	Status as of 2021
Climate protection as it relates to our vehicles and services		
Mercedes-Benz offers battery electric vehicles (BEVs) in all the divisions in which the brand is represented.	2022	10 models
We increase the share of plug-in hybrids and all-electric vehicles to as high as 50 per cent.	2025	12 per cent
All new vehicle architectures are exclusively electric.	2025	According to plan
Customers are offered the choice of at least one all-electric vehicle in every segment.	2025	According to plan
The CO_2 emissions of Mercedes-Benz's fleet of new vehicles are reduced by more than 40 per cent.[1]	2030	According to plan
Mercedes-Benz is all-electric — wherever market conditions allow.	By the end of this decade	According to plan
A fleet of new Mercedes-Benz vehicles that are CO_2 neutral along all stages of the value chain.	2039	According to plan
Climate protection in the supply chain		
Mercedes-Benz plans to procure only CO_2 neutral production materials.	2039	89 per cent of all suppliers[3]
Climate protection in production		
The manufacturing operations in our Mercedes-Benz production plants are CO_2 neutral worldwide.	2022	According to plan
Mercedes-Benz to reduce CO_2 emissions at its plants (Scope 1 and 2) by 50 per cent.[2]	2030	85 per cent[4]

1 Compared to 2018 and pertaining to the use phase (well-to-wheel); corresponding to the target of the Science Based Targets initiative (SBTi).
2 Compared to 2018. This target has been confirmed by the Science Based Targets initiative (SBTi).
3 Measured on the basis of the annual procurement volume and assured by signature.
4 Target achievement level

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 protection a core element of its business strategy. Our goal is to make our entire new vehicle fleet CO_2 neutral across all stages of the value chain by 2039.

In order to achieve this goal, we are transforming the products and services that are at the heart of our business operations. We are thus creating innovative, noticeably more sustainable solutions in order to live up to our social responsibility and at the same time reinforce people's trust in the Mercedes-Benz brand.

That's because sustainability is one of the brand promises of Mercedes-Benz.

This principle will continue to drive our actions in the future, not only with regard to our strategic brand decisions but also for our direct contact with customers. We want to enable our customers to experience sustainability at every point of contact with us. We are promoting climate protection with equal ambition in all upstream and downstream phases of the automotive life cycle — from the supply chain and our own manufacturing operations to the use and disposal of the vehicles.

In October 2020 Mercedes-Benz AG signed The Climate Pledge. The Climate Pledge, is a voluntary

commitment to fulfil the goals of the Paris Agreement on climate change ten years earlier than prescribed. Companies are called on to become CO_2 neutral by 2040. By joining this initiative we reaffirmed our intention to continue moving systematically towards emission-free mobility and sustainable vehicle production.

In July 2020 Mercedes-Benz AG also became a founding member of the international climate protection initiative Transform to Net Zero, which was launched by Microsoft. Through this membership we have further reinforced our commitment to the goals mentioned above. Nine renowned companies from diverse sectors and countries of origin are pooling their expertise in this initiative. Our shared goal is to improve the framework conditions for the decarbonisation of the economy and society all over the world.

Climate protection as it relates to our vehicles and services

Strategy and concepts

Reduction of CO_2 emissions from road traffic

GRI 103-1

For the Mercedes-Benz Group, the Paris Agreement represents more than just an obligation; our commitment to its targets stems from our fundamental convictions. We believe that it is our mission to contribute to CO_2 neutral mobility around the world.

With respect to CO_2 emissions from road traffic, EU legislation focuses on reducing the emissions of new vehicles, for which it defines concrete targets. According to the proposed European Commission regulation that was published in July 2021, the CO_2 emissions of cars are to be reduced by 55 per cent (previously 37.5 per cent) by 2030 compared to the base year of 2021. The CO_2 reduction requirement for 2025 will stay at 15 per cent relative to 2021. The proposed legislation also states that the average CO_2 emissions should be 0 g CO_2/km in 2035.

The Mercedes-Benz Group realises that achieving this target will require a high level of investment. In order to finance it, we intend to increasingly use new tools such as Green Bonds in the future. Green bonds offer environment-oriented investors the opportunity to directly participate in the implementation of our technological strategy. However, the broad-based success of low-emission mobility requires not only sustainable investment but also the corresponding framework conditions. From our current perspective, we need ambitious CO_2 pricing systems for fossil fuels and the creation of a comprehensive charging infrastructure as well as a hydrogen filling station network.

On the road to a climate-neutral future

In order to achieve its long-term climate-protection goal of becoming CO_2 neutral by 2039, Mercedes-Benz is planning the complete electrification of its product range. By the end of this decade, Mercedes-Benz wants to be all-electric wherever market conditions allow. This strategic step from electric-first to electric-only will accelerate the transformation of Mercedes-Benz to an emission-free, software-driven future. We underscored this fact during the UN Climate Change Conference in Glasgow in November 2021, when we signed the COP26 Declaration on accelerating the transition to 100 per cent zero-emission cars and vans. In the declaration, the Mercedes-Benz Group was the only German automaker to confirm that it is working to offer only emission-free cars and vans in leading markets from 2035.

Mercedes-Benz's Ambition 2039 strategy aims not only to help make the world climate-neutral but also to get our customers enthusiastic about such a climate-neutral future. For many customers, it's important that the products they use do not impact the environment and that they do not have to make any compromises while using these products in their daily life. With its product range, Mercedes-Benz wants to fulfil both of these customer requirements.

Environmental aspects during product development

GRI 103-2

Mercedes-Benz has set itself the goal of developing products that are especially environmentally friendly and energy-efficient in their respective market segments. Our environmental and energy guidelines define how we intend to reach this goal. Product development plays a key role in this regard: a vehicle's environmental impact — including its emissions of CO_2 and pollutants — is already largely determined during the first phases of its development. The earlier in the development process we take environmental aspects into account, the more efficiently we can minimise the environmental impacts of our vehicles.

Making life cycle assessments

GRI 305-1/-/2/-3

In order to evaluate the environmental compatibility of a vehicle, Mercedes-Benz carries out life cycle assessments. We systematically examine a vehicle's CO_2 emissions and other environmental effects throughout its entire life cycle — from the extraction of raw materials and vehicle production to product use and recycling. Among other things, these analyses have made it clear that as more and more vehicles are electrified, the focus is shifting towards other factors, such as the production of the high-voltage battery and the generation of the electricity for charging the battery. Beginning with the EQS, battery cells are produced with CO_2 neutral electricity and the Group is promoting battery charging with electricity from sustainable sources.
↗ Life cycle assessment of the EQS 450+

We record and publish the key figures for the life cycle assessments in line with the basic principles of the 👁 Greenhouse Gas (GHG) Protocol.

We correspondingly divide our greenhouse gas emissions into three categories called the Greenhouse Gas Scopes. Scope 1 comprises all the emissions we cause ourselves through the combustion of energy carriers at our production locations, such as the generation of electricity and heat in our own power plants. Scope 2 includes all emissions that are due to external providers from whom we purchase energy in forms such as electricity and district heating. Scope 3 includes all the emissions that are generated before (upstream of) or after (downstream of) our business operations. For example, Scope 3 includes the CO_2 emissions that arise in the supply chain (purchased goods and services), as a result of our vehicles' operation in customers' hands (the use phase, including the production of fuel and electricity), or in the recycling phase of the vehicles.

The GHG Protocol specifies a total of 15 categories of Scope 3 emissions. The emissions are determined on the basis of comprehensive methodological considerations and complex calculations. Most (approximately 80 per cent) of our reported Scope 3 emissions are generated during the use phase — in other words, during the production of fuel, and the generation of electricity (👁 well-to-tank) and the driving operation of our products (👁 tank-to-wheel). About 17 per cent of our indirect Scope 3 emissions are due to the supply chains that provide us with goods and services.

We determine the CO_2 emissions of our vehicles in the use phase on the basis of our worldwide sales figures and the fleet's average normalised CO_2 emissions figure. For this calculation, we assume that each vehicle travels 20,000 kilometres per year. We also assume that each car is used for a period of ten years. The average total mileage thus amounts to 200,000 kilometres per vehicle.

At the moment, it is safe to assume that Scope 3 reporting will play an important role in the struggle to limit climate change in the future. We expect that this will create more transparency and trigger a competition among CO_2 emitters to develop the most effective way to limit the greenhouse gases that are damaging the climate.
↗ Scope 1-, Scope 2- and selected Scope 3-CO_2 emissions in tons per vehicle Mercedes-Benz Cars & Vans
↗ Scope 1, 2 and 3 emissions worldwide Mercedes-Benz Cars & Vans

Responsibilities

GRI 103-2

Corporate management is responsible for setting strategic goals, including targets for reducing our CO_2 emissions, and for monitoring the progress made in achieving these goals. The Product Steering Board (PSB) is responsible for monitoring the development of the CO_2 emissions of the car fleet in markets in which such emissions are regulated. It is also responsible for providing forecasts. The CO_2 Project and Steering Committee (CO_2 PSC) does the same for the van fleet. In their evaluations, these bodies take into account a variety of factors, including the increasing degree of vehicle electrification and the changes that have been made to legal requirements, for example those related to the introduction of the new 👁 WLTP certification procedure. The PSB is assigned to the Committee for Model Policy and Product Planning, while the CO_2 PSC is assigned to the Van Executive Committee. They report directly to the Board of Management of Mercedes-Benz Group AG. On the basis of these reports, the Board of Management then decides on the requisite measures. In the short term, market-related measures for controlling prices and volumes can also have an impact on

the achievement of CO_2 targets. For this reason, these measures are also discussed with the Board of Management within the framework of the regular reporting on the current state of CO_2 fleet compliance.

The primary responsibility for ensuring compliance with climate protection requirements is split between several units and Board of Management members. The development units of the vehicle divisions are responsible at the vehicle level. For cars and vans, these are the "Drive Systems Product Group" development unit, the product groups of the vehicles and Mercedes-Benz Vans Development. The Board of Management of Mercedes Cars & Vans is responsible for the production plants and the company-owned sales and service outlets. Mercedes-Benz Group AG monitors the implementation within the framework of its Group management.

An interdisciplinary team is working on achieving CO_2 neutrality

At Mercedes-Benz Cars & Vans, an interdisciplinary team consisting of environmental experts, buyers, developers, logistics specialists, production specialists, strategists and sales experts is working to make our new-car fleet CO_2 neutral by 2039. This team monitors the CO_2 emissions and manages the measures for reducing them.

The Corporate Environmental Protection unit, for example, calculates the CO_2 emissions of all model series and all drive types at Mercedes-Benz Cars & Vans and conducts environmental and life cycle assessments for the vehicles. The Procurement unit at Mercedes-Benz is working together with around 2,000 tier 1 suppliers in order to also make the supply chain CO_2 neutral. Our logistics experts are addressing the emissions caused by the delivery of goods, sales operations and shipments to distribution hubs. Their goal is to avoid shipments as much as possible and to optimise routes and transport systems. The teams are also applying additional measures for achieving CO_2 neutrality in areas such as production and customer-specific charging concepts.

The majority of the CO_2 emissions in the life cycle of a vehicle are generated during the use phase, i.e. while driving. That's why the teams are supplemented by CO_2 strategists who specialise in tank-to-wheel emissions. They analyse how much CO_2 our vehicles actually emit out on the road. This information, in turn, provides the basis for reducing CO_2 emissions.

Measures

More environmentally friendly product development

Mercedes-Benz systematically tests the environmental friendliness of future products.

An important tool in this process is the ongoing documentation of the development process. Here we define specific characteristics and target values — for example, for fuel consumption and pollutant emissions that must be achieved for every vehicle model and every engine variant. We also use these target values to assess the progress we make in the course of product development and implement any corrective measures that may be necessary.

An all-electric product range

We want to accelerate the pace at which we are expanding our range of electric vehicles. Our research and development work is correspondingly vast and between 2022 and 2026 we want to invest a total of over €60 billion in the transformation to an emission-free and software-powered future. In this way, we are continuously expanding the portfolio of Mercedes-Benz with further models. Mercedes-Benz also offers a wide variety of transport solutions that do not produce local emissions for the commercial vans sector.

In addition, Mercedes-Benz Mobility's Green Mapping concept is helping to transform transport into electric mobility. Since late 2020, customers who have leased or financed their Mercedes from Mercedes-Benz Mobility AG have been able to switch from a combustion-engine vehicle to a hybrid or an electric one without any change in their monthly payments. At the end of 2021, Green Mapping was employed in twelve markets.

Alternative drive systems at Mercedes-Benz Cars[1]

		2020	2021
Worldwide	Hybrid	115,191	178,526
	Electric drive	47,672	90,082
	Alternative drive systems (total)	162,863	268,608
	MBC unit sales (total)	**2,202,579**	**2,093,476**
Europe	Hybrid	91,427	135,431
	Electric drive	37,013	64,966
	Alternative drive systems (total)	128,440	200,397
	MBC unit sales (total)	**626,655**	**548,960**

1 Retail unit sales Mercedes-Benz Cars (incl. V- and X-Class)

Alternative drive systems at Mercedes-Benz Vans[1]

		2020	2021
Worldwide	Electric drive	4,519	9,216
	MBV unit sales (total)	**325,771**	**334,165**
Europe[2]	Electric drive	3,229	7,074
	MBV unit sales (total)	**180,754**	**179,601**

1 Retail unit sales Mercedes-Benz Vans (commercial)
2 Vans that are registered as passenger cars + light commercial vehicles (class N1 vehicles)

EQ models: future-oriented and battery-powered
Since 2018 we have been offering battery-powered automobiles under the Mercedes-EQ brand. We are continuously expanding this brand's portfolio through the addition of more models.

In August 2021, our Cars division launched the first all-electric luxury EQS sedan on the car market. The EQS 450+ (WLTP: combined electrical consumption: 19.8–15.7 kWh/100 km; combined CO_2 emissions: 0 g/km) has a range[1] (↗ according to WLTP) of up to 784 kilometres. The all-electric EQS is the company's first automobile whose structure is not derived from that of a combustion engine model, but instead based on a modular electric architecture: the wheelbase, the track and many other system components (especially the batteries) are variable due to the modular system. This enables them to be used on any scale and for any model. As a result, the vehicle concept is designed to fulfil all of the requirements for a family of battery-powered luxury and upper-range models. The EQE business sedan and the EQS and EQE SUV variants are to be followed by additional models equipped with the modular electric architecture.

Our EQA offers all-electric driving for the compact class. Smart assistants support the driver in many areas, including accident avoidance, an anticipatory, efficient operation and navigation with ↗ Electric Intelligence.

As a seven-seater[2], the new EQB offers room for a variety of family constellations and many different transport requirements. Moreover, it combines design elements that are typical of the Mercedes-EQ with a distinctive angular appearance. In Europe, the EQB 350 4MATIC (WLTP: combined electrical consumption: 19.2–18.1 kWh/100 km; combined CO_2 emissions: 0 g/km) has a WLTP-range[1] of up to 419 km.

The EQV is the first MPV from Mercedes-EQ with a purely battery electric drive system that enables it to drive

1 Electricity consumption and range were determined on the basis of Regulation (EU) 2017/1151.

2 The two seats in the third row can be used by people up to 1.65 metres tall.

locally emission-free. The EQV 300 (NEDC: combined electrical consumption: 27.1–26.3 kWh/100 km; combined CO_2 emissions: 0 g/km)[1] has a WLTP-range[2] of up to 363 kilometres. In addition, the EQV is integrated into a digital environment that combines intelligent navigation with active range management and cloud-based services and apps. In 2022, it is to be followed by an all-electric small van with up to seven seats for families and people who enjoy leisure activities.

Plug-in hybrids for reliable ranges

Plug-in-hybrids are an important transitional technology on the road to CO_2 neutral all-electric mobility. Mercedes-Benz offers an efficient drive system package for this purpose. At the end of 2021, customers could choose between more than 20 model variants. This combination of an electric drive system and a combustion engine enables locally emission-free driving. The drive system, which consists of an electric motor and a high-voltage battery, ensures that the vehicle has a purely electrical range sufficient for most daily trips. Ranges of over 70 kilometres (WLTP-TML) are possible in the compact segment and, in some cases, of over 100 kilometres (WLTP-TML) in the luxury segment. Mercedes-Benz wants to gradually roll out this technology across its entire vehicle range — from the A-Class to the S-Class and from the GLA to the GLE.

Mercedes-Benz Vans

Mercedes-Benz Vans wants to continue to play the leading role in electric mobility and has firmly anchored this goal in its strategy by means of the “lead in electric drive” claim. As a result, all of the model series are being systematically electrified. Today, body manufacturers and customers can already choose from three battery-powered vans: the eVito panel van, the eSprinter and the eVito Tourer. The new Citan is also due to become available with a battery-electric drive system in 2022, thus expanding the electric product portfolio of the commercially oriented small van segment.

The next-generation eSprinter

Mercedes-Benz Vans is also systematically implementing its strategy with the next-generation eSprinter. The attributes of this model series were defined in close cooperation with customers. Three battery and many body variants — from panel vans to a chassis for box bodies — will enable it to penetrate into new customer segments and markets, including the United States and Canada. Depending on the configuration, the range will be more than twice that of the current eSprinter. Production is scheduled to ramp up in stages in Charleston, South Carolina (United States), Düsseldorf and Ludwigsfelde, beginning in the second half of 2023. Mercedes-Benz AG is investing around €350 million in the next-generation eSprinter, whose production is scheduled to be CO_2 neutral.

Sustainability and climate protection in urban short-range distribution

Our technology vehicle SUSTAINEER demonstrates how environmentally compatible a van can be. Based on a Mercedes-Benz eSprinter, SUSTAINEER combines many innovations that improve the quality of life in cities, preserve the climate and the environment and enhance the safety and health of drivers and other road users. Among other things, the all-electric van has a roof-mounted solar panel that generates green electricity for the vehicle. Under good conditions, this can enable the vehicle to travel 2,500 kilometres per year in Baden-Württemberg, for example.

↗ Resource conservation

eVans: all-electric vehicle architecture

Mercedes-Benz Cars & Vans aims to offer all new vehicle architectures as exclusively electric systems, beginning in 2025. As a result, Mercedes-Benz Vans is also developing a new all-electric vehicle architecture called VAN.EA.

Services

The majority of the CO_2 emissions of automobiles are generated while driving. That’s why Mercedes-Benz wants to help the users of its vehicles to drive in a climate-friendly manner and encourage them to purchase locally emission-free vehicles. We offer our customers a variety of services for this purpose.

App helps buyers reach a decision

Is an electric vehicle or a plug-in hybrid right for my daily life? By analysing an individual’s driving behaviour, the EQ Ready app supports drivers who are wondering whether it would make sense for them to switch to

1 Electricity consumption was determined on the basis of Regulation (EC) No. 692/2008.
2 The range was determined on the basis of Regulation (EU) 2017/1151.

an electric vehicle. For this purpose, Mercedes-Benz "gamifies" the process: users take part in a seven-day challenge, during which they playfully obtain a lot of useful information about electric mobility. In addition to data about their potential energy requirements, users can simulate the duration of different charging solutions in real time and view the various regional charging infrastructures. The app has been available in around 30 countries worldwide since 2020. To date, it has evaluated almost two million trips for its users. Every week, our users analyse 24,000 "green" trips.

The eVan Ready app was developed specifically for commercial users. In addition to the same basic functions of the EQ Ready app, eVan Ready offers many additional features for such users. Among other things, users can check whether they could also use one of our electric vans to drive their routes. The eCost Calculator enables users to find out whether an electric Mercedes-Benz van would be a good option for them from a financial standpoint. Together with the users, we also analyse the charging infrastructure at their respective locations. We also show them what measures are necessary for the efficient operation of individual vehicles as well as large or small fleets.

App collects data about individual fuel consumption
In Europe, Mercedes-Benz AG offers transparent information and ways of comparing the fuel consumption of its vehicles. Since 2020, customers have been able to use the free Mercedes me app to voluntarily determine and anonymously share and compare their fuel consumption data with the drivers of similar vehicles. The app is available for almost all model series. The information can also be viewed at our website. A new feature that was introduced during the reporting year enables visitors of the website to select a vehicle of their choice and view the fuel consumption curves of all of the drivers.

The initial data show that individual fuel consumption figures can be lower or higher than the WLTP certification value. Deviations from the WLTP cycle may be due to many different factors such as road conditions, loads, weather conditions or, in particular, individual driving styles. In the future we plan to offer individual tips for saving fuel depending on driving style.

Saving energy with Eco Coach
Since the end of 2020, Mercedes-Benz has been offering an app with individual energy savings tips to its customers driving plug-in hybrids and electric vehicles. Called the Mercedes me Eco Coach, this app analyses the user's driving and charging behaviour and provides personalised tips on how the driver can reduce his or her CO_2 footprint and extend the life of the vehicle's battery.

We especially use gamified measures to motivate drivers of plug-in hybrids to charge their vehicles more often and thereby reduce their actual fuel consumption and CO_2 footprint. People who use the app get reward points that they can redeem in selected European markets for the offsetting of CO_2 or convert into Mercedes me Charge vouchers.

Charging infrastructure

GRI 203-1

From today's perspective, the future of private mobility is electric. To make this possible, the charging infrastructure has to make rapid progress. That's why Mercedes-Benz is continuously working to make the charging of electricity more convenient, faster and more accessible — at home, at the workplace and in public spaces.

Fast and easy charging
The charging of electric vehicles should be as quick and convenient as possible. To enable this, Mercedes-Benz employs globally standardised processes and a large network of partners, Mercedes me Charge. It is one of the world's largest charging networks and is continuously expanding. As of January, over 685,000 alternating and direct current charging points worldwide had been integrated. Of these, more than 275,000 are in Europe and over 65,000 in the United States and Canada. In Europe alone, more than 850 different operators of public charging stations have charging points that the customers of Mercedes me Charge can access.

The Mercedes me App and the on-board navigation system show drivers the exact position, current availability and prices at appropriate charging stations. On this basis, our navigation system calculates the optimal route, including stops for charging. At the charging station, the driver is authenticated via the display in the MBUX multimedia system, the Mercedes me app or the

Mercedes me Charge charging card. The customer only has to enter his or her payment method once. Thereafter, each charging process is automatically deducted from the user's bank account, even when it takes place abroad. Each individual charging is collected into a clearly structured invoice every month.

With the launch of the EQS, we introduced a new function, Mercedes me Charge Plug & Charge, which makes handling even easier, because charging, including the payment function, begins as soon as the cable is inserted — an additional authentication step is not necessary. Communication between the vehicle and the charging station takes place directly via the charging cable.

More sustainable charging

In March 2021, Mercedes-Benz launched Green Charging in Europe. Mercedes me Charge enables our customers with EQ models and plug-in hybrids to charge sustainable energy at public charging stations. Green Charging offsets the electricity used during charging by subsequently feeding energy from renewable sources into the grid. Green Charging was launched on the United States and Canadian markets in August 2021.

In the life cycle of an electric vehicle, power from renewable energy sources is a significant factor in the effort to avoid CO_2 emissions. Based on the current EU electricity mix, around 50 per cent of a battery electric vehicle's CO_2 footprint is generated during the use phase and is therefore due to its being charged with electricity whose generation has resulted in the emission of CO_2. People are often unaware of whether a public charging station offers green electricity or electricity from non-renewable sources. The supply of the charging current is the responsibility of the charging point's operator. Green Charging is an integral part of Mercedes me Charge in order to counteract this lack of transparency and promote the use of electricity from renewable sources.

Green Charging ensures that the corresponding amount of green electricity is fed into the grid after the charging process is finished. For this purpose, it uses proofs of origin that verifiably certify the energy's origins and serve as a kind of birth certificate for electricity from renewable sources. Green electricity is defined by the EKOenergy environmental label and supplied by certified energy generation systems. In addition, incentives are provided for investing in renewable energy production facilities.

Moreover, it makes customers aware of how their charging behaviour affects their personal CO_2 footprint. Green Charging-compatible charging points are displayed by the vehicle's head unit and the Mercedes me App. The Mercedes me App provides precise figures of the CO_2 reduction achieved during the charging processes. As a result of Green Charging, Mercedes-Benz is the first automaker to offer its customers a proprietary service for the reduction of CO_2 emissions during the use phase.

Expansion of the IONITY fast-charging network

Within the scope of the IONITY joint venture, Mercedes-Benz AG is working to create a high-performance fast-charging network for electric vehicles in Europe. IONITY aims to safeguard private electric mobility by means of a standardised charging network along the most important pan-European motorways with the intention of speeding up the adoption of electric mobility within the market.

Over 400 IONITY fast-charging stations were in operation at the end of 2021. Each charging station has several charging points, all of which are operated with 100 per cent green electricity. The high charging power of up to 350 kW per charging point enables correspondingly designed vehicles to charge their batteries quickly. All of the IONITY charging points are integrated into the Mercedes me Charge system and can be conveniently used by means of Plug & Charge.

In November 2021, the company revealed its IONITY 2.0 growth strategy for the accelerated expansion of its fast-charging network. The strategy aims to increase the number of locations to over 1,000 by 2025. In the future, they will also be located along federal roads and near urban centres. Some locations will also have innovative flagship concepts for making travel more convenient and improving the charging experience. Provided the authorities approve the transaction, the existing shareholders and the new shareholder BlackRock will together invest €700 million for the achievement of IONITY 2.0.

Charging network: cooperation with Shell

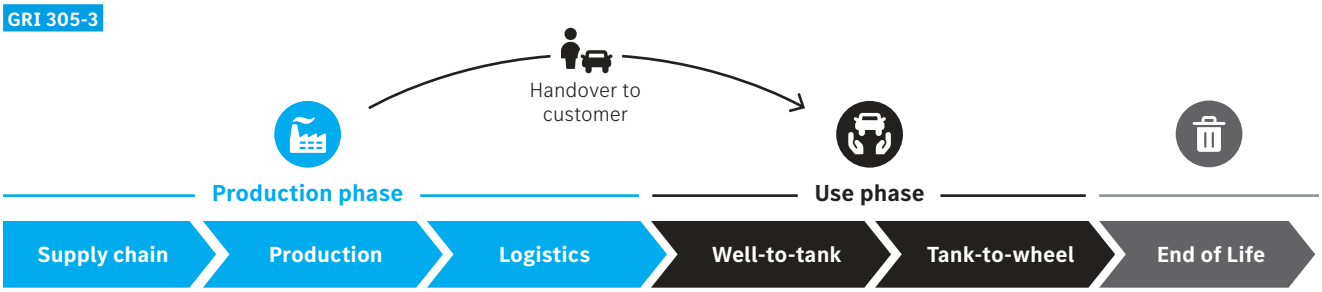
Since July 2021, Mercedes-Benz AG has also been cooperating with the petroleum and natural-gas company Shell to expand its charging network. The aim is to provide the drivers of our electric automobiles with better access to Shell's Recharge network, which is planned to encompass over 30,000 charging points in Europe, China and North America by 2025, including more than 10,000 fast-charging stations.

Flexible charging system for EQ vehicles and plug-in hybrids

Since August 2021 Mercedes-Benz has been offering a flexible charging system that includes various adapters for household power sockets, industrial sockets and public charging stations and wallboxes. The adapters can be connected to the charging system by means of plug and play. It also incorporates a Type 2 connector that is permanently connected to the system. The vehicle can thus be charged

Scope 1-, Scope 2- and selected Scope 3-CO_2 emissions in tons per vehicle, Mercedes-Benz Cars (2021)[1]

GRI 305-3

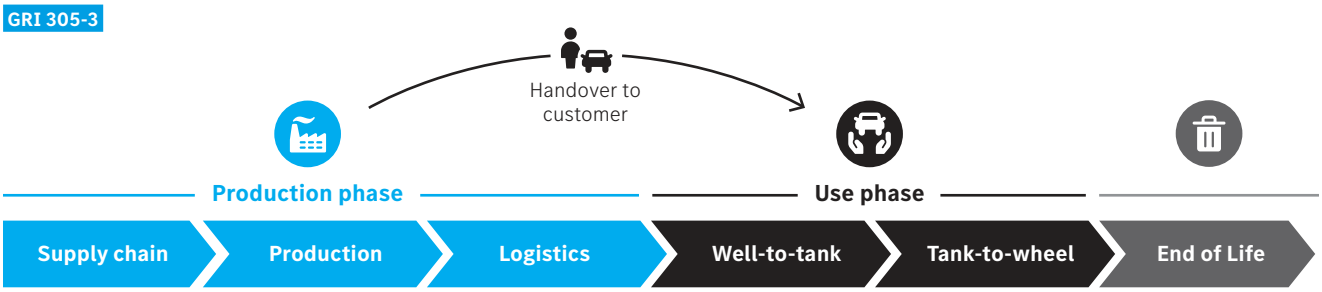


Supply chain	Production	Logistics	Well-to-tank	Tank-to-wheel	End of Life
8.4	**0.7**	**1.1**	**6.3**[6]	**32.2**	**0.4**
Scope 3 Production: Procured goods and services[2]	**Scope 1 and 2:** Mercedes-Benz Cars production[3]	**Scope 3 Logistics:** Transport and distribution (upstream and downstream)[5]	**Scope 3 Use phase:** Fuel production and electricity generation (well-to-tank)[2, 4]	**Scope 3 Use phase:** Vehicle operation (tank-to-wheel)[4]	**Scope 3 End of Life:** Recycling and waste disposal[2]

1 For calculation basis see appendix ↗ Calculation and documentation of CO_2 emissions and chapter ↗ Making life cycle assessments, ↗ Calculation of CO_2 emissions
2 See ⊕ Life cycle assessments of our vehicles and internal life cycle assessment studies
3 See ↗ key figures environment
4 Driving emissions of Mercedes-Benz Cars fleet (EU, China, USA and RoW) standardised, mileage: 200,000 km, for data basis see chapter ↗ Development of CO_2 emissions
5 Forecast value
6 Incl. Green Charging: Contribution per vehicle -0.03 t CO_2

Scope 1-, Scope 2- and selected Scope 3-CO_2 emissions in tons per vehicle, Mercedes-Benz Vans (2021)[1]

GRI 305-3



Supply chain	Production	Logistics	Well-to-tank	Tank-to-wheel	End of Life
8.6	**0.5**	**0.9**	**4.9**	**47.8**	**0.5**
Scope 3 Production: Procured goods and services[2]	**Scope 1 and 2:** Mercedes-Benz Vans production[3]	**Scope 3 Logistics:** Transport and distribution (upstream and downstream)[5]	**Scope 3 Use phase:** Fuel production and electricity generation (well-to-tank)[2, 4]	**Scope 3 Use phase:** Vehicle operation (tank-to-wheel)[4]	**Scope 3 End of Life:** Recycling and waste disposal[2]

1 For calculation basis see appendix ↗ Calculation and documentation of CO_2 emissions and chapter ↗ Making life cycle assessments, ↗ Calculation of CO_2 emissions
2 Internal life cycle assessment studies
3 See ↗ key figures environment
4 Driving emissions of Mercedes-Benz Cars fleet (EU, China, USA and RoW) standardised, mileage: 200,000 km, for data basis see chapter ↗ Development of CO_2 emissions
5 Forecast value

at up to 22 kW at almost any alternating-current source. The system is compatible with all of the electric vehicle and plug-in hybrid models of Mercedes-Benz AG.

Expansion of the charging infrastructure at Mercedes-Benz locations

Mercedes-Benz AG is continually expanding the charging infrastructure at its own locations. We have put more than 4,000 charging points into operation since 2013. In 2022 we will continue to forge ahead with the expansion of charging stations at employee parking lots with about 900 charging points. This provides the employees with a broad range of charging options.

In the charge@work project, we have been consolidating our efforts to establish an intelligent charging infrastructure at all Group properties in Germany since 2013. We provide this infrastructure not only to parking spaces, car parks and customer centres but also to our in-house development test rigs and proving grounds. Our charging stations are supplied with 100 per cent certified green electricity.

Scope 1, 2 and 3 emissions worldwide for Mercedes-Benz Cars[1, 5]

	2020		2021	
Scope 3	**Specific** CO_2 in t/car	**Absolute** CO_2 in t/million t[4]	**Specific** CO_2 in t/car	**Absolute** CO_2 in t/million t[4]
Procured goods and services[6]	8.1	17.0	8.4	17.0
Logistics	1.0[2]	2.1[2]	1.1[2]	2.2[2]
Business travel	0.006	0.012	0.009	0.019
Employee traffic	0.060	0.125	0.053	0.107
Use phase of our products (well-to-tank)	5.6	11.8	6.3[3]	12.7[3]
Use phase of our products (tank-to-wheel)	33.7	70.4	32.2	65.5
Recycling and waste disposal[6]	0.4	0.8	0.4	0.8
Scope 1 and 2				
Manufacture	0.8	0.9[4]	0.7	0.7[4]
Total	**49.7**	**103.2**	**49.1**	**99.2**

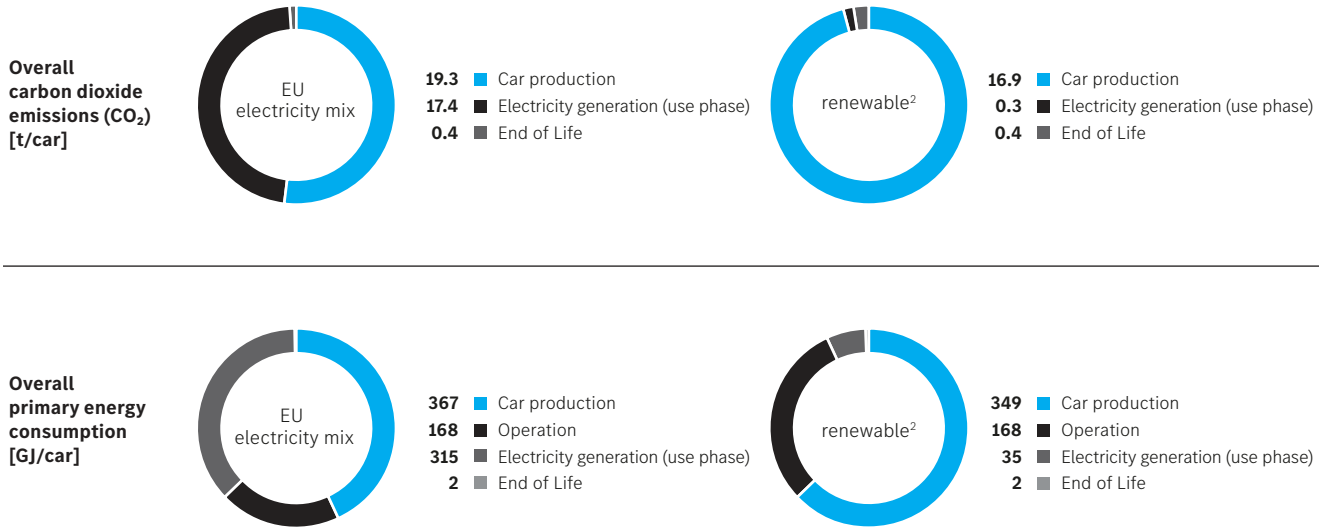
1 Values are rounded
2 Forecast value
3 Incl. Green Charging: Contribution per vehicle -0.03 t CO_2
4 Absolute Scope 3 emissions relate to retail sales (2020: 2,087,200; 2021: 2,032,663; unaudited). Absolute Scope 1 and 2 emissions relate to vehicles produced from fully consolidated locations, excluding third-party products (2020: 1,230,733; 2021: 1,132,213; unaudited)
5 For calculation basis see appendix ↗ Calculation and documentation of CO_2 emissions and chapter ↗ Making life cycle assessments, ↗ Calculation of CO_2 emissions
6 See ⊛ Life cycle assessments of our vehicles and internal life cycle assessment studies

Scope 1, 2 and 3 emissions worldwide for Mercedes-Benz Vans[1, 4]

	2021	
Scope 3	**Specific** CO_2 in t/van	**Absolute** CO_2 in t/million t[3]
Procured goods and services[5]	8.6	**3.4**
Logistics	0.9[2]	**0.4[2]**
Business travel	0.007	**0.003**
Employee traffic	0.039	**0.015**
Use phase of our products (well-to-tank)	4.9	**1.9**
Use phase of our products (tank-to-wheel)	47.8	**18.9**
Recycling and waste disposal[5]	0.5	**0.2**
Scope 1 and 2		
Manufacture	0.5	**0.2[3]**
Total	**63.3**	**25.0**

1 Values are rounded
2 Forecast value
3 Absolute Scope 3 emissions relate to retail sales (2021: 394,978; unaudited). Absolute Scope 1 and 2 emissions relate to vehicles produced from fully consolidated locations, excluding third-party products (2021: 336.847; unaudited)
4 For calculation basis see appendix ↗ Calculation and documentation of CO_2 emissions and chapter ↗ Making life cycle assessments, ↗ Calculation of CO_2 emissions
5 Internal life cycle assessment studies

Life cycle assessment of the EQS 450+[1]



1 WLTP: EQS 450+ combined electrical consumption 19.8-15.7 kWh/100 km, CO_2 emissions 0 g/km; Electricity consumption was determined on the basis of Regulation 2017/1151/EC.
2 Renewably generated energy for cell production and charging current

(values are rounded)

Board of Management remuneration on the basis of key CO_2 figures

In addition to other criteria from areas such as environmental protection, social commitment and corporate governance, the Mercedes-Benz Group has, since 2020, been including the achievement of CO_2 fleet targets as a factor for determining the annual bonus for the Board of Management and executives. During the reporting year, we continued to differentiate this incentive system and intensified it. We think it helps motivate people to achieve the specified sustainability targets.

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The Mercedes-Benz Group's management approach to climate protection is based on the Ambition 2039 targets. They are an expression of our commitment to the Paris Agreement on climate change. We have also defined the measures that we plan to use to attain these goals. We use internal and external performance reviews to evaluate their effectiveness. To this end, we conduct internal reviews at the level of the specialist units several times a year. Externally, we commission an auditing company to audit selected goals and measures. In addition, Mercedes-Benz Cars & Vans has defined a concrete CO_2 reduction pathway in line with the standards of the Science Based Targets initiative (SBTi). The SBTi has confirmed that this pathway conforms to the Paris Agreement on climate change.

Furthermore, we conduct dialogues regarding climate protection and we use the knowledge gained in this way to review our management approach and adjust it as needed. For example, we hold in-depth discussions with environmental institutes and NGOs during our annual Sustainability Dialogue. We also conduct talks on the subject of climate protection with our Board of Management throughout the year. In addition, the feedback we continually receive from the government, the public and our other stakeholders lets us know how the sustainability goals we have set for ourselves are being perceived and evaluated

Results

Calculation of CO_2 emissions

GRI 305-3

Most of our CO_2 emissions are generated during the use phase of a vehicle. But greenhouse gas emissions are also generated in other segments of a vehicle's life

cycle, and we take that into account in our overall CO_2 balance. We record the key figures we need for life cycle assessments and publish them in line with the 2004 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative.

We have used these principles to calculate the emissions of the entire life cycle of the Mercedes-Benz Cars fleet worldwide. For 2021 we calculated an average CO_2 value of 49.1 tons per vehicle. We have used these principles to calculate the emissions of the entire life cycle of the Mercedes-Benz Vans fleet worldwide. For 2021 we calculated an average CO_2 value of 63.3 tons per vehicle. 52.7 tons of this is due to the use phase, which in the case of vans is dominated by commercial goods transport with vehicles in the 3.5 ton/5 ton segment.
↗ Scope 1, 2 and 3 emissions worldwide Mercedes-Benz Cars & Vans

Development of CO_2 emissions

GRI 305-5

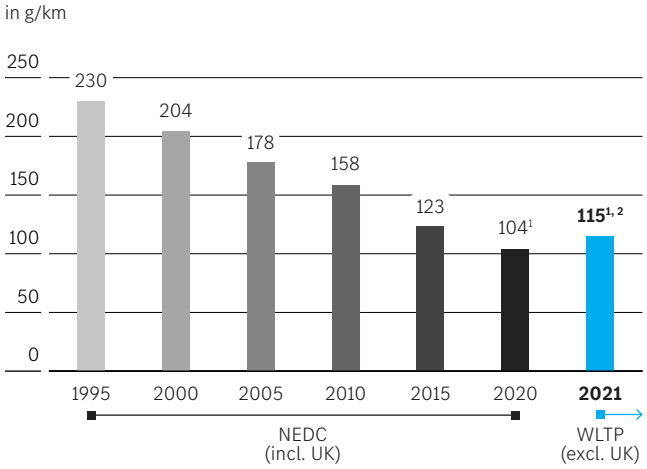
Europe

Mercedes-Benz has defined the CO_2 emissions of its fleet of new cars in Europe as a significant non-financial performance indicator. The Outlook shows how we expect the CO_2 emissions of our car fleet in Europe to develop.
Outlook, AR 2021

In the reporting year, the average CO_2 emissions of our total passenger car fleet in Europe (European Union, Norway and Iceland) as measured on the basis of legal regulations decreased to an estimated 115 g/km (WLTP, including vans that are registered as passenger cars). This means that we achieved the CO_2 targets in Europe (European Union, Norway and Iceland) in 2021. Since 2021, in line with the regulatory requirements, this value has been based on the WLTP certification process and is thus not comparable with the prior year's value.

Development of average CO_2 emissions of the Mercedes-Benz passenger car fleet in Europe

GRI 302-5

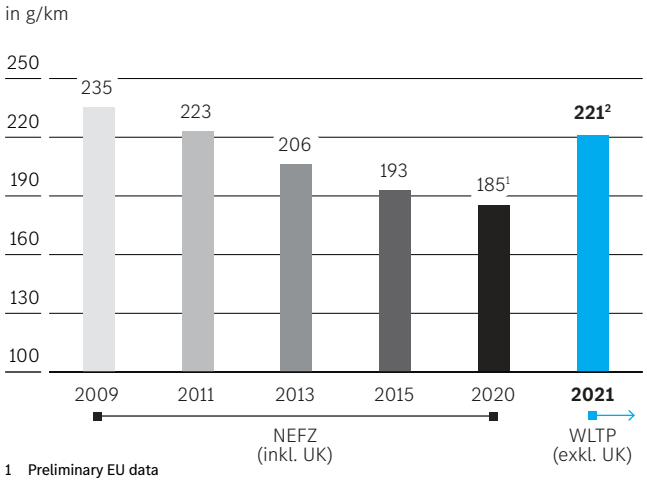


1 Including vans registered as M1 vehicles — all other years without vans.
2 Projection

We expect that our fleet's average CO_2 emissions in Europe (European Union, Norway and Iceland) in 2022 will once again be lower than the figure that was recorded in 2021. This development has been especially favoured by the fact that all-electric and plug-in hybrid vehicles continue to increase their share of our total car sales.

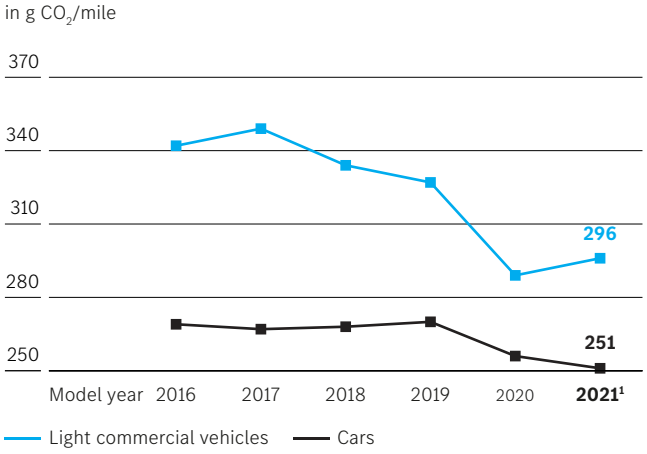
In the reporting year, the average CO_2 emissions of our light commercial vehicles (Class N1 vehicles) in Europe (European Union, Norway and Iceland) as measured on the basis of the legal regulations amounted to 221 g/km (WLTP). As a result, we expect to be below the CO_2 target. In 2022 we expect the continued expansion of our battery-electric product portfolio (launch of the eCitan) to reduce CO_2 emissions further.

Development of average CO_2 emissions of the Mercedes-Benz van fleet in Europe



1 Preliminary EU data
2 Projection

Mercedes-Benz GHG values for cars and light commercial vehicles in the United States



1 Projection

United States

In the United States, two separate fleet values are in use for limiting greenhouse gases and fuel consumption in vehicle fleets: the greenhouse gas (GHG) emission standards and the Corporate Average Fuel Economy standards (CAFE). For the 2021 model year, the GHG fleet value was 251 g CO_2/mi for the passenger car fleet and 296 g CO_2/mi for the fleet of vans and SUVs registered as light trucks (on the basis of the most recent forecast). Thus we were not able to achieve our average fleet targets of 194 g CO_2/mi for the car fleet and 259 g CO_2/mi for the fleet of vans and SUVs registered as light trucks. However, we were able to close the remaining gap by purchasing external credits.

The models of the Mercedes-Benz Sprinter are subject to the GHG regulation for Classes 2b/3. The CO_2 targets in these classes depend on the payload, the towing capacity and the drive type of the vehicles. In the reporting year, the CO_2 emissions of our vehicles were 472 g CO_2/mi, which is lower than the target value of 495 g CO_2/mi. We expect our figures to also be lower than the CO_2 target values in the years ahead.

China

In China, domestic and imported cars are reported separately and according to fleet consumption values, unlike in Europe and the United States. This means the figures for the imported fleet are relevant for our wholly owned subsidiary Mercedes-Benz China (MBCL). The fuel consumption target was 7.16 l/100 km, and the achieved value was 8.24 l/100 km (preliminary figure for the fleet's fuel consumption; if the off-cycle technologies are also included, the final fuel consumption figure may be better). Since 2021, in line with the regulatory requirements, this value has been based on the WLTP certification process and is thus not comparable with the prior year's value. External credits will be purchased at short notice in order to close consumption gaps in the fleet's achievement of the target. We aim to achieve our emission targets in China in the medium term together with our joint venture partner Beijing Benz Automotive (BBAC) by expanding our range of all-electric vehicles and plug-in hybrids.

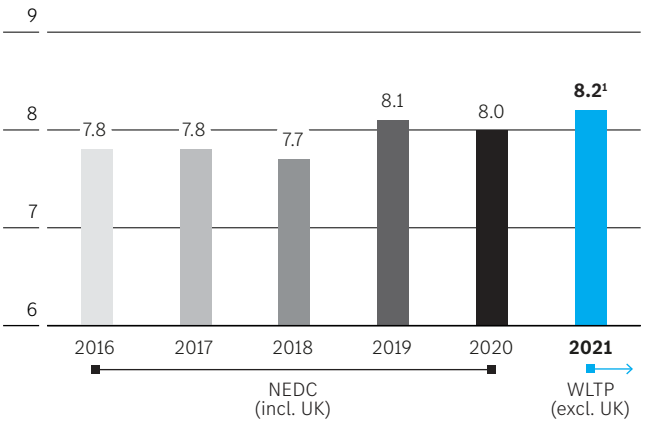
The V-Class and Vito models, which are produced by the joint venture Fujian Benz Automotive Co., Ltd. (FBAC), form another domestic fleet. The value achieved was 9.27 l/100 km (without off-cycle technology); the target value was 8.09 l/100 km. At the moment, the fleet balance can be offset by means of a credit transfer. This situation is not likely to change until 2026, because the fleet consists of only a single vehicle type.

Legal limits on the fuel consumption and/or CO_2 emissions of car fleets and light truck fleets exist today in many other markets as well, although the target values differ from market to market. The relevant countries here include major sales markets for our products — for example Switzerland, Canada, Japan, South Korea, Brazil, India and Saudi Arabia. We also take these target values into account as we further develop our product range.

Fuel consumption of the Mercedes-Benz car fleet in China

GRI 302-5

in l/100 km



1 Preliminary value without off-cycle technologies

Climate protection in the supply chain

Strategy and concepts

Climate-protection goal: CO_2 neutrality

GRI 103-1

Through its Ambition 2039, the Mercedes-Benz Group aims to achieve CO_2 neutrality in less than 20 years. In doing so, the company is taking into account the entire value chain, including its partners and suppliers. That's because our supplier network plays a crucial role in the attainment of the climate-protection goals. For example, the production of an all-electric vehicle generates about twice as much CO_2 as that of a conventional combustion-engine vehicle. This is primarily due to the lithium-ion batteries.

Measures

Environmental impact in the supply chain

GRI 103-2 GRI 308-1

Mercedes-Benz Group AG implements various projects and measures in order to avoid and reduce CO_2 emissions in its supply chains for services as well as for production and non-production materials.

In 2020, Mercedes-Benz AG also began to send an Ambition Letter about CO_2 neutrality to its suppliers of production materials. By signing this document, they commit themselves to supply Mercedes-Benz AG only with products that are CO_2 neutral over their life cycle — and thus to pursue our climate-protection goals — by 2039 at the latest.
↗ Effectiveness and results

On the way to climate neutrality, Mercedes-Benz Cars & Vans also pursues selected focal points for production materials. In a first step, we investigated which players and which stages of the supply chain produce large amounts of CO_2 emissions. We then defined quantitative intermediate targets for CO_2 emissions in our supply chains. These targets were derived on the basis of the results of our supplier talks and set with the help of external experts. We are focusing on materials and components that emit large amounts of CO_2 during production, e.g. steel, aluminium, certain types of plastic and batteries. To conclude, we integrated the target values into our criteria for the awarding of contracts. When awarding contracts for our Mercedes-Benz Modular Architecture (MMA) electric vehicle platform for compact and mid-range models, we employ the CO_2 and recyclate requirements as key criteria for all areas. During the reporting year, suppliers assured us that they would fulfil our targets for more than 40 contracts awarded for this model series alone. This means that they will continuously reduce the CO_2 emissions of materials and components that cause high CO_2 emissions in particular, as well as increasing the amount of secondary raw materials.

In 2021, we developed requirements and guidelines for the calculation of CO_2 emissions in order to provide suppliers with guidance and obtain uniform, and thus comparable, supplier data.

The Mercedes-Benz Group is also cooperating with organisations such as CDP (formerly Carbon Disclosure Project) so that it can depict the environmental impact of its supply chains even more transparently. In 2021, for example, we took part successfully in the CDP Supply Chain Programme for the third time. As part of this programme, we ask our suppliers to report to us about their environmental impact and climate protection efforts. CDP provides the corresponding tools for recording, assessing and publishing environmental and climate data. We contacted our main suppliers regarding this in 2021. They account for around 84 per cent of the annual procurement volume of Mercedes-Benz Cars & Vans. Around 90 per cent of them took part in the survey.

We also expect our suppliers of production materials to operate with an environmental management system that is certified according to ISO 14001 or EMAS.

Depending on the specific risks, this also applies to suppliers of non-production materials and services. If a supplier does not have a certified environmental management system, the supplier is given two years to set up such a system and have it certified. If this is not done, the supplier may be excluded from receiving new orders.

Depending on the risk, environmentally sensitive contracts for the purchase of non-production materials and services will, in future, also require proof of an energy management system, in the form of ISO 50001, for example. Moreover, suppliers of services and of non-production materials for CO_2-intensive commodities will also be requested to sign the Ambition Letter that requires them to make their production CO_2 neutral or to provide their services in a CO_2 neutral fashion by no later than 2039. Depending on the project in question, CO_2 reduction measures will also be agreed upon during the contract award process for suppliers of non-production materials and service providers, for example by utilising electricity from renewable energy sources when fulfilling the order.

CO_2 neutral production materials

The Mercedes-Benz Group is working together with suppliers to develop measures for reducing the CO_2 emissions of the procured production and non-production materials and the supply of goods to the plants (inbound logistics). Beginning in 2039 we want Mercedes-Benz AG to procure only production materials that have been manufactured in a CO_2 neutral fashion.

To this end, Mercedes-Benz AG has signed agreements with its strategic battery cell partners for the procurement of battery cells whose production is CO_2 neutral. Two of these partners began to supply Mercedes-Benz in 2021, commencing with battery cells for the EQS. The production of these battery cells is CO_2 neutral, which enables us to reduce the emissions for a cell by about 30 per cent. The inspection and certification organisations SGS and DEKRA have examined and confirmed that the cells are manufactured in a CO_2 neutral manner by the suppliers.

We have also launched similar initiatives in other parts of our supply chain so that we and our partners can jointly reduce CO_2 emissions step by step. An example of this is our involvement in the Swedish startup H2 Green Steel. The results also benefit the other business units of Mercedes-Benz Group AG.

↗ Production materials: Cooperation with suppliers

Supplier survey regarding green electricity

The generation of the electricity consumed also plays a major role for the CO_2 emissions in the supply chain. From May to June 2021, Mercedes-Benz AG asked its key suppliers how much of the electricity they consume comes from renewable energy sources. The survey covered both the electricity that suppliers generated themselves and the power that they procured from external producers. We use the results for environment-related analyses of our supplier network and for concrete supplier assessments and dialogues.

Award for suppliers

The Mercedes-Benz Group considers climate protection and resource conservation in the supply chain to be an element of its cooperative partnership with suppliers. The public recognition of good performance in this regard is also important to us. During the reporting year, we therefore presented the Daimler Sustainability Recognition to suppliers for outstanding sustainability achievements in the categories of climate protection and resource conservation. In 2021, we honoured the American steel supplier Big River Steel for its especially sustainable steel production. A total of three suppliers were nominated for their innovative concepts for the use of secondary materials and for CO_2-reduction measures at their production facilities.

Effectiveness and results

GRI 103-3 GRI 308-2

We continuously monitor the progress that we make with our Ambition 2039 targets for cars. One of the reference points that Mercedes-Benz Cars Procurement and Supplier Quality uses for this is the number of suppliers who have agreed to the letter of intent regarding Ambition 2039. The results show that Mercedes-Benz AG's supplier network has largely agreed to the Group's climate-protection goals as formulated in Ambition 2039. Around 90 per cent of our suppliers (as measured on the basis of the annual procurement volume) have signed the Ambition Letter to express their commitment to supply the Group only with CO_2 neutral products by 2039. Climate neutrality

is incorporated into the terms of contract, and the Ambition Letter is a key criterion for the awarding of contracts. This means that if a supplier refuses to sign the ambition letter, we will not consider this supplier for future contracts. By 2039 at the latest, only production materials that are CO_2 neutral at all stages of the value chain will be allowed to enter the plants of Mercedes-Benz.

Climate protection in production

Strategy and concepts

Implementation of the Paris Agreement — CO_2 neutral production from 2022

In its sustainable business strategy the Mercedes-Benz Group has set itself the holistic goal of making the mobility of the future more sustainable. One important target is the reduction of greenhouse gas emissions. This applies not only to our mobility solutions but also to our own production plants. By pursuing our goal of making our production processes CO_2 neutral we are fulfilling our voluntary commitment to the Paris Agreement and complying with other national and international climate-protection guidelines.

The expansion of electric mobility is the key for making mobility more sustainable in the future, which is why Mercedes-Benz has flexibly planned its global manufacturing network for the production of all-electric vehicles. The plans call for eight Mercedes-EQ electric vehicles to roll off the assembly lines at seven locations. Moreover, all of the car and battery assembly locations operated by the Mercedes-Benz Group will have climate-neutral production processes from 2022.

Responsibilities and organisation

GRI 103-2

The Mercedes-Benz Group operates more than 30 production facilities all over the world that are subject to a variety of regional and national laws. The environmental and climate-protection measures at our production locations are controlled and coordinated across business units by three regional committees: Germany/Europe, North and South America and Africa/Asia. The committees let our experts form networks between companies and plants and share information about legislation, processes and innovations. In addition, these committees draw up globally valid internal standards and procedures.

CO_2 neutral sales

Climate protection is a matter for the entire value chain. Due to its many locations, the sales organisation of Mercedes-Benz also has considerable potential to drastically reduce CO_2 emissions. The company-owned sales and service outlets of Mercedes-Benz AG in Germany are striving to become CO_2 neutral by the end of 2022.

However, the associated investments in energy efficiency and renewable energies are not only contributing to climate protection. They also produce financial benefits due to rising energy prices and various political decisions. For example, climate-protection measures also have a high marketing potential for our car dealerships, because they are the main point of contact for customers and are very visible at the local level.

European Union Emissions Trading System

Industrial facilities that generate CO_2 emissions as a result of the combustion of fossil fuels and whose approved thermal output exceeds 20 MW are required by law to participate in the EU Emissions Trading System (EU ETS). The operators of such facilities are required to calculate on an annual basis the CO_2 emissions they generate, report the figures to the responsible authorities, and then submit to the same authorities CO_2 emission permits in the amount of the reported CO_2 emissions. The company is permitted to generate one ton of CO_2 per CO_2 emission permit (European Union Allowance — EUA). The permitted total number of EUA certificates within the EU's emissions trading program is limited. A small number of EUA certificates are assigned to industrial plants free of charge. Fewer and fewer free CO_2 emission permits are issued each year, which means that by the end of the fourth trading period (2021 to 2030) the number of such permits available to the automotive industry and many other sectors will have been reduced to zero. A large portion of the CO_2 emission certificates needed must therefore be acquired at a cost via EUA auctions, the emission permit market or direct trading. At the Mercedes-Benz Group, an

in-house committee consisting of experts from various departments defines the procurement strategy and the risk management for the EUA certificates needed by the Group.

More than half of the CO_2 emissions generated at the Mercedes-Benz Group's European production locations are currently covered by the EU Emissions Trading System. We are using various measures to try to further reduce our CO_2 emissions. These include projects to increase energy efficiency and expand the capacity of systems that generate heat and electricity from renewable sources.

German National Emissions Trading System

Since the beginning of 2021, Germany has also had a legally prescribed fuel emissions trading process that complements the European emissions trading scheme. The new Fuel Emissions Trading Act (BEHG) has introduced CO_2 pricing by means of a national emissions trading process for amounts that are not subject to the EU Emissions Trading System (EU ETS). The law applies to the heating and transport sectors in particular. Accordingly, the Mercedes-Benz Group must ensure the acquisition of certificates for the fossil fuels it uses that are not subject to the EU ETS.

Measures

Procuring green electricity

Mercedes-Benz has committed itself to consistently reducing CO_2 emissions caused by vehicle production and energy supply at its plants, or to eliminate them completely wherever possible. The procurement of green electricity plays a key role in these efforts. Beginning in 2022, worldwide all of the Mercedes-Benz Group's own production plants will obtain externally generated electricity exclusively from renewable sources.

In Germany, Mercedes-Benz is cooperating with the energy supplier Enovos and the Norwegian energy producer Statkraft to expand its portfolio of green electricity. This electricity mix consists of solar, wind and hydro power. The electricity is generated by a variety of facilities, including a solar park near Ingolstadt as well as hydroelectric power stations and more than 200 wind turbines throughout Germany. This green electricity is generated at the same rate as it is consumed. This ensures that the company's exact electricity requirements are met by green power from the grid with an accuracy of 15 minutes.

Since early 2022, all of the company-owned sales and service outlets in Germany have been procuring electricity from renewable sources. This enables the annual CO_2 emissions from building operation to be cut by around half.

Generation of green electricity

GRI 302-1

Another major pillar of CO_2 neutral production at Mercedes-Benz involves increasing the generation of energy from renewable sources at the various locations.

The production of the EQS at Factory 56 in Sindelfingen since May 2021 is a great example of the sustainable and CO_2 neutral vehicle production of the future at Mercedes-Benz: the plant is a zero carbon factory. A photovoltaic (PV) system not only covers around 30 per cent of the hall's needs annually with self-generated green electricity but also charges a stationary energy storage unit from Mercedes-Benz Energy. The latter has a capacity of 1,400 kWh and serves as a buffer on days when there is little sun, for example.

PV systems for the self-generation of green electricity are also to be installed on existing buildings at five Mercedes-Benz locations in Germany in 2022. PV systems are to be set up on further buildings in the future, if possible.

In addition, Mercedes-Benz U.S. International, Inc. (MBUSI) and the utility company Alabama Power received approval in December 2021 for a solar energy project in Lowndes County, south of Montgomery. The resulting Letohatchee solar park will supply our production plant in Tuscaloosa, Alabama (United States) with power from the sun in the future. Commercial operations are scheduled to begin in March 2024.

More sustainable heat supply

The Mercedes-Benz Group is also reducing CO_2 emissions arising from the plants' heat supply. Among other things, the company plans to use biogas, biomass, geothermal energy and solar heating systems and to commission heat pumps powered by green electricity.

Beginning in 2022, Mercedes-Benz Cars wants to gradually increase the procurement of biogas for the production processes at German locations. The Mercedes-Benz Vans plant in Ludwigsfelde (Germany) procures district heating. More than 45 per cent of this heat comes from renewable sources of energy and reduces the CO_2 emissions from our Sprinter production at the location.

Offsetting CO_2 emissions

The Mercedes-Benz Group has, since early 2022, been offsetting all the CO_2 emissions at its production facilities that have been as yet unavoidable by means of carbon offsets from qualified climate protection projects.

Such residual emissions are released above all by our cogeneration facilities that use natural gas to produce electricity and heat. All of the offsetting projects comply with the high quality standards of the Clean Development Mechanism (CDM). Moreover, they are validated according to the Gold Standard. The climate-protection projects not only avoid CO_2 emissions but also promote sustainable, socially beneficial and environmentally friendly development in many ways in the countries where the projects take place. Our portfolio also includes offsetting projects that promote a renewables-based energy supply, for example energy from geothermal sources in Indonesia and energy for the reduced-CO_2 purification of drinking water in Uganda.

Global battery production network

The vehicle portfolio of Mercedes-Benz Cars & Vans is set to become all-electric by 2030. In this process, the local production of batteries is a crucial element for flexibly and efficiently meeting the global demand for electric vehicles. As a result, Mercedes-Benz is continuing to expand its global battery production network, which is an important component of its global production network.

In the future, this battery production network is to consist of factories on three continents. We are already producing battery systems in Kamenz, Saxony, in Stuttgart-Hedelfingen and in Bangkok (Thailand), Beijing (China) and Jawor (Poland). The battery factories in Esslingen-Brühl near Stuttgart and in Tuscaloosa, Alabama (United States) are currently preparing themselves for the production launch in 2022.

In order to further increase capacities in our global battery production network, we will cooperate even more strongly with the company GROB from Mindelheim, which specialises in battery facility technology. Our goal is to jointly develop and set up assembly systems for upcoming battery modules and systems. These facilities will produce the batteries for our EQ models that will roll off the assembly line beginning in 2025.

Moreover, Mercedes-Benz plans to work together with partners worldwide to build eight factories for the production of battery cells.

This will enable Europe to remain a centre of the automobile industry even in the electric age. Here, Mercedes-Benz intends to work together with new partners to develop future cells and modules and efficiently produce them at four locations. To this end, Mercedes-Benz has a holding in the European battery cell manufacturer Automotive Cells Company (ACC).

More sustainable transport logistics

Whether going by ship, plane, train or truck, our global transport logistics system now serves 30 production plants on four continents and customers all over the world. The Mercedes-Benz Group transported around 2.3 million vehicles worldwide in 2021 and about 3.7 million tons of production materials in Europe during the first half of 2021 alone. Our global transport volume amounted to around 260,000 standard containers of sea freight and about 120,000 tons of air freight.

Our aim is to further reduce the associated CO_2 emissions. One of the levers here is our logistics network, which we are continuously optimising. Our main goal here is to connect the transport hubs with one another as effectively as possible so that the driving distances can be reduced and the capacity of the transport systems is better utilised. Innovative transport concepts and new modes of transport also play a major role in reducing emissions.

We now select logistics concepts not only on the basis of their costs, duration and transport quality but also according to their CO_2 emissions. When choosing providers of logistics services, we also take sustainability criteria into account. Among other things, we determine whether service providers have environmental certificates and use

environmentally compatible equipment or low-emission trucks that meet the latest Euro emissions standards.

In particular, Mercedes-Benz is steadily increasing the volumes it transports via the railroad network. For example, the production materials for the Mercedes-Benz car plants in Germany and the plant in Kecskemét (Hungary) have been transported in trains powered by green electricity since as early as 2020.

In addition, we are reducing the CO_2 emissions not only on railways but also from ship-borne freight. At the beginning of 2021, we launched a joint project together with a transport service provider. In this project, a ship fuelled with biofuel transported more than 1,000 Mercedes-Benz vehicles from Bremerhaven via South Africa to Australia. The CO_2 emissions were reduced by about one third compared to conventional ship propulsion fuels.

From June to September 2021, Mercedes-Benz became one of the first automakers to take part in a CO_2 neutral cargo flight route, with the aim of decarbonising air shipments. The planes on the transport route from Frankfurt to Beijing use sustainable aviation fuel (SAF), which is made of waste biomass such as used cooking oil (UCO). SAF causes around 80 per cent less CO_2 emissions per flight than conventional aviation fuel.

More sustainable sales operations

Mercedes-Benz wants to make its sales operations more sustainable and climate-friendly. However, this is only possible with the support of our sales partners. We have published two information brochures to help them operate and build Mercedes-Benz sales outlets in a more sustainable and climate-friendly manner.

The first brochure was released in November 2020. It provides instructions on how to reduce CO_2 emissions in dealerships. A total of 28 measures are presented. They range from minor adjustments in building operation to detailed renovation measures and the local generation of renewable energies. The second information brochure has been available since March 2021. It addresses sustainable construction and covers a building's entire life cycle, from the planning stage and the production of the construction materials to demolition and the recycling or disposal of the rubble.

In July 2021, the Mercedes-Benz Group also launched the online training course "Sustainability at Mercedes-Benz Retail" for its car dealerships. The course is targeted at managers and employees working in Sales and After Sales. The first part of the course teaches theoretical content, such as the fact that sustainability is a key element of our strategy. The second part addresses practical concerns and, among other things, shows what sustainability means for dealerships in concrete terms and how they can contribute to sustainability.

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The Mercedes-Benz Group uses internal and external tools to determine how much progress its plants are making in achieving the climate-protection targets. The Mercedes-Benz Group has defined the parameters for in-house reviews, and it regularly monitors these parameters. An external auditing firm annually evaluates a selected number of our corporate goals and their implementation. We use the results of these evaluations to adapt and improve our climate-protection measures.

Results

GRI 302-1 GRI 305-5

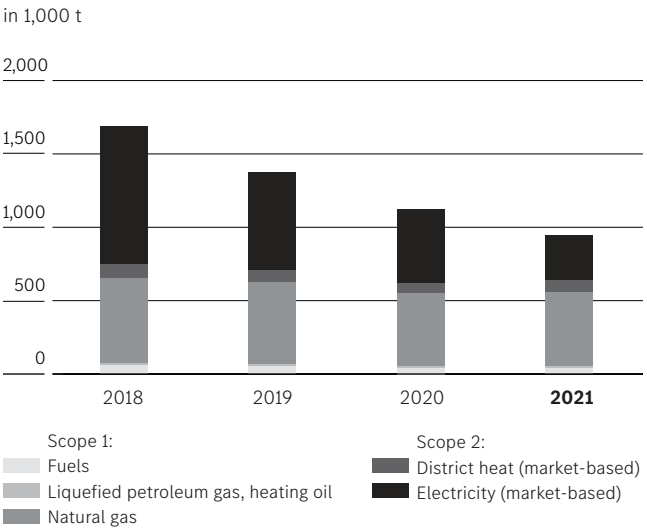
For years now, Mercedes-Benz has been systematically recording all climate-protection measures in a database. This data enables us to efficiently manage our corporate objectives, because the respective measures can be saved and monitored in the database along with the corresponding calculations for CO_2 reductions. These include measures such as the technical optimisation and automation of the control system in order to adjust the operating modes of our ventilation systems. We also optimise our painting processes and the associated facilities. The reduced energy consumption ensures that CO_2 emissions from energy generation can be effectively avoided.

During the reporting year, Mercedes-Benz Cars & Vans employed a bundle of measures that enabled it to cut CO_2 emissions from production by about 16 per cent compared to 2020.

In the reporting year, renewable energy accounted for 78 per cent (1,500 GWh) of the total electricity consumption at Mercedes-Benz Cars production plants and for 34 per cent (1,550 GWh) of the total energy consumption. At Vans, renewable energy accounted for 64 per cent (181 GWh) of total electricity consumption and for 20 per cent (197 GWh) of total energy consumption.

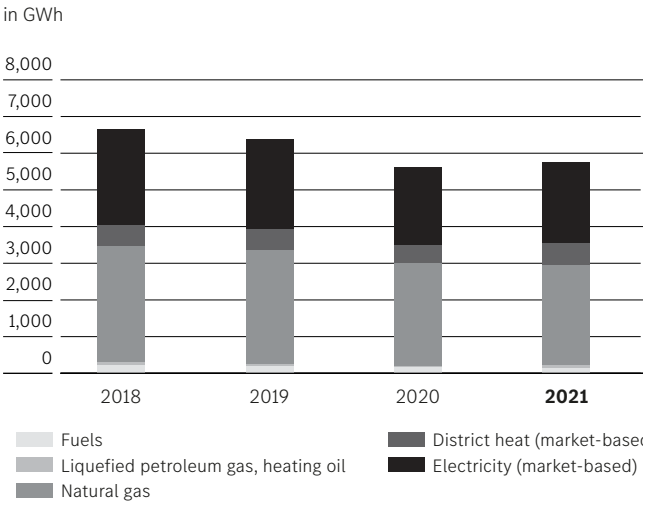
Direct and indirect CO_2 emissions from production

GRI 302-1/-5



Energy consumption in production

GRI 302-1/-5



CO_2 emissions from energy consumption[1] (in 1,000t)

GRI 305-1/-2

	2017	2018	2019	2020	2021[2,3]
CO_2 direct (Scope 1)	1,192	1,247	1,239	1,027	**681**
CO_2 indirect (Scope 2) — market-based	1,763	1,687	1,276	1,035	**466**
CO_2 indirect (Scope 2) — location-based	2,041	1,985	1,706	1,492	**1,123**
Total — market-based	**2,955**	**2,934**	**2,516**	**2,062**	**1,148**
Total — location-based	**3,233**	**3,232**	**2,946**	**2,519**	**1,805**

1 Since 2016, the "market-based" and "location-based" accounting approaches have been implemented in accordance with GHG Protocol Scope 2 Guidance. Since then, the market-based approach has been the standard accounting method.
2 These data include Mercedes-Benz Cars & Vans. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Specific CO_2 emissions (in kg/vehicle)[1]

GRI 305-1/-2

		2017	2018	2019	2020	2021
Cars	CO_2 direct (Scope 1)	250	267	279	326	**349**
	CO_2 indirect (Scope 1) — market-based[2]	565	562	431	426	**306**
	Total — scope 1 & 2	**815**	**829**	**711**	**752**	**655**
Vans	CO_2 direct (Scope 1)	340	355	346	333	**353**
	CO_2 indirect (Scope 2) — market-based[2]	157	196	160	147	**141**
	Total — scope 1 & 2	**497**	**551**	**506**	**479**	**493**

1 Excluding CO_2 from liquid fuels
2 Since 2016, the "market-based" and "location-based" accounting approaches have been implemented in accordance with GHG Protocol Scope 2 Guidance. Since then, the market-based approach has been the standard accounting method.


EQE

Air quality

Materiality and goals

GRI 103-1/-2

Targets	Target horizon
Our objective is to ensure that our entire new vehicle fleet no longer has any relevant impact on nitrogen dioxide pollution in urban areas.	2025

The Mercedes-Benz Group's corporate responsibility as an automaker includes our efforts to bring individual mobility, climate protection and air quality into harmony. The air quality in cities is an important focus of our sense of responsibility for the environment. Legislators all over the world have set standards for emissions in order to regulate emissions of harmful substances such as nitrogen oxides and particulates and to reduce air pollution. These emission limit values have become ever more stringent over the past few years. We are continuously developing our technologies in order to remain below these limit values today and in the future.

Strategy and concepts

Reduction of airborne pollutants — vehicle-related and in production operations

GRI 103-1/-2

In order to reduce the pollutant emissions of our vehicles, we specify certain properties and necessary measures in the concept and/or the requirement specifications for major assemblies. These concept and requirement specifications are approved by the Committee for Model Policy and Product Planning. This is Mercedes-Benz Cars' highest body and determines all product-related topics.

We have set ourselves the following goal for Mercedes-Benz's entire new car fleet: The fleet shall no longer have any relevant impact on NO_2 emissions in urban areas from 2025. In addition, we want to develop further measures in order to reduce the particulate pollution due to our vehicles.

But not only our vehicles are a source of air pollution emissions — our plants also contribute. Lowering the airborne emissions from our plants is a constant task and a challenge — for our plant and facility planning teams and our daily operations.

Depending on their type and size, the plants in Germany are legally obliged to appoint an Immission Control Officer. Depending on the material in question, the maximum values and requirements for emissions and immissions are set by law. These values are the standard for our production plants and product developers. During the reporting year we adopted an internal standard covering the creation of an Air Emission Inventory applicable throughout the Group for production and sales locations and repair workshops. This contains the definitions of the principles of how we avoid, minimise or eliminate airborne pollutants, noise and odours that arise from our plants or facilities.

Volatile organic compounds (VOCs), in particular those produced in our paint shops, are especially important in this regard. In addition, our furnaces and energy generation systems release nitrogen oxides and sulphur oxides as well as particulate matter. The latter also occurs in the extraction of welding smoke from the bodyshell areas. All three are also significant air pollutants that must be reduced.

Technical Compliance Management System

Reducing or completely eliminating air pollutants requires exact knowledge of the processes and the framework conditions. For this reason, Mercedes-Benz Cars & Vans supports its employees in the automotive divisions with a technical compliance management system (tCMS). Its objective is to safeguard compliance with all legal and regulatory requirements throughout the product development and certification process. The tCMS defines values, principles, structures and processes in order to provide our employees with guidance and orientation especially with regard to challenging questions on how to interpret technical regulations.

Mercedes-Benz Cars & Vans has also created dedicated expert units for technical compliance in the development departments of vehicle-related divisions. Among other things, these expert units manage a network of technical compliance contact persons within development and certification departments. This network serves as a link between operating units and the compliance organisation. It supports the development departments in matters of technical compliance. Complex questions regarding technical compliance are evaluated and then decided in an interdisciplinary process that takes into account technical, legal and certification-relevant criteria (tCMS committees).
↗ Compliance with technical and regulatory requirements

Our BPO whistleblower system is also available as a contact partner for reporting technical compliance violations. We have been operating the BPO since 2006. We urge the employees of the Group as well as external parties to report any suspicious facts relating to violations of the laws or of our internal regulations via this system. Examples of such violations include infringements of technical provisions or environmental protection regulations.
↗ The BPO whistleblower system

Measures

Measures in the development and production processes

Product design is a central starting point for the Mercedes-Benz Group to improve our performance from the ground up in the area of air pollution emissions. We are continually working on and investing in technologies and measures in order to further improve air quality.

New emissions laboratory in operation

The new emissions laboratory in Immendingen (ELI) at the Mercedes-Benz AG Testing and Technology Centre commenced regular operation at the beginning of 2021. Construction of the laboratory had started in summer 2018.

In the ELI, Mercedes-Benz car and van models are metrologically tested on roller test rigs. Conventional emission measurements are carried out on hybrid and combustion-engine vehicles; we test electric vehicles with respect to their electrical parameters such as electricity consumption and range. In addition, mountain drives at altitudes of up to 4,000 metres above sea level and at temperatures ranging from -30°C to +50°C can now be simulated — it is no longer necessary to carry out expensive extreme tests on the road.

The ELI also has additional laboratory and workshop areas that are used, for example, for tests of on-board diagnostics systems and to prepare for Real Driving Emissions (RDE) test drives with the portable emission measurement system.

The test stands initially ran in single-shift operation; this was changed to two-shift operation in September. Approximately 6,000 roller test rig hours are available per year.

Diesel engines cause less nitrogen oxide emissions

The Mercedes-Benz Group has further reduced the NO_x emissions of its diesel engines. This was possible thanks to an innovative overall package of engine and exhaust gas aftertreatment. We have consistently introduced this solution to the market in the form of the current engine generation OM 654 and 656, and have been continuing its further development since then.

Vehicles with diesel engines of the latest generation have low NO_x emissions in real driving operation — on many journeys they actually record values according to the RDE measuring process that are significantly lower than the current laboratory threshold limit of 80 mg/km. They achieve average NO_x emission values of around 20 to 30 mg/km in long-term operation over many thousands of kilometres under RDE conditions.

Replacing the fleet of existing old diesel vehicles with vehicles with the latest diesel technology, which is certified according to the Euro 6d-TEMP or Euro 6d standards, is an effective measure to further reduce NO_2 emissions in road traffic. This is shown by our internal study. For this study we installed measuring points at various locations in Germany and carried out detailed modelling of the emission behaviour of our Euro 6d vehicles. This enabled us to very precisely investigate how the emissions effected the NO_2 pollution. The measurements were carried out at what are known as NO_2 hotspots, i.e. locations with particularly high emission levels.

At Mercedes-Benz Cars, the entire new car fleet for Europe has been certified according to the Euro 6d-TEMP standard or better since June 2019 and according to Euro 6d since the fall of 2020 — and thus before this was legally required. As of 1 January 2021 all newly registered cars must conform to the Euro 6d emissions standard. This was made possible by the expanded exhaust gas aftertreatment system using an additional underfloor SCR catalytic converter, as well as other measures.

Reduced solvent emissions in production

The Mercedes-Benz Group seeks to be a leader in dealing with the production-related emissions of VOCs in the automotive sector. VOCs — volatile organic compounds — are a group of highly volatile organic hydrocarbons. These substances can easily pass from the liquid to the gaseous phase and are frequently harmful to human health. In automobile production VOCs are primarily released in the vehicle painting process. Different countries use a variety of methods to define and record VOCs; as a result, it is difficult to achieve uniform worldwide documentation. Moreover, the documentation of these emissions must comply with various legislative limit value specifications.

In order to minimise its VOC emissions, Mercedes-Benz AG has concluded a public-law contract with the City of Sindelfingen. This contract stipulates that at the Mercedes-Benz Sindelfingen plant, we may not release emissions of more than 20 grams of VOCs per square metre of painted vehicle surface. Measurements show that the emissions actually released in our plant are much lower than this limit.

Measures in the use phase

IT solutions and intelligent integrated use concepts enable both an efficient drive system and exhaust gas cleaning in addition to a further reduction in pollutant emissions. The Mercedes-Benz Group has also developed comprehensive concepts for air quality in the vehicle cab for the protection of the driver and passengers.

Software update improves nitrogen oxide emissions

The Mercedes-Benz Group develops software updates for all of its diesel vehicles in Europe that are certified according to the Euro 6b and Euro 5 emissions standards. These updates improve the vehicles' nitrogen oxide emissions in real driving operation by an average of between 25 and 30 per cent.

As early as 2017, the Mercedes-Benz Group announced that it would offer voluntary software updates for several million diesel vehicles in Europe. We have in addition been carrying out recalls — during which software updates are also applied — at the order of Germany's Federal Motor Transport Authority (KBA) since 2018. The recalls ordered apply to a number of vehicle models (cars and vans) that comply with the Euro 6b or Euro 5 emissions standards. The voluntary service measure for vehicles that are not included in the recall is meanwhile continuing as planned.

Hardware retrofit supported

Mercedes-Benz Group AG is participating in a hardware retrofit programme for diesel vehicles that was initiated by the German federal government. Specifically, Daimler has agreed to provide a financial subsidy of up to €3,000 (gross) per vehicle for hardware retrofitting if certain conditions are met. The hardware retrofitting must be developed and offered by a third-party supplier and approved by Germany's Federal Motor Transport Authority (KBA). The offer is aimed at private holders of affected Mercedes models whose primary residence is in a priority region. These regions were defined by the German Ministry of Transport and Digital Infrastructure in 2017.

In the summer of 2019, the KBA approved retrofit solutions for various vehicle models. The retrofitted vehicles must comply with the NO_x limit value of 270 mg/km in real driving operation under specific conditions. This is intended to guarantee that the retrofitting significantly reduces NO_x emissions in permanent operation.

In 2019, we set up a special website to make it as simple and fast as possible for our customers to apply for the subsidy. Interested parties can visit this website in order to carry out a non-binding check as to whether they fulfil the precise requirements for receiving the subsidy. Customers can also use this website to request payment of the subsidy after the approved retrofit hardware has been installed.

The air quality in the 15 priority regions has improved demonstrably since 2017. At the Neckartor measuring point in Stuttgart, for example, the annual average NO_2 value for 2020 was below the EU limit of 40 µg/m³. The programme will continue until further notice despite the fact that demand for the hardware retrofit has dropped considerably.

Mercedes-Benz SUSTAINEER actively improves air quality

Particulate pollution levels due to road traffic play an important role in urban air quality. The SUSTAINEER technology platform from Mercedes-Benz Vans, which is based on the eSprinter, was presented in 2021. It brings together a large number of innovative solutions for more sustainable delivery transport — and actively contributes to improved air quality in cities in the process. In addition to a battery electric drive system, the SUSTAINEER features two particulate filters on board. These filters compensate for the particulate emissions up to a particle size of ten µm in the vehicle's immediate surroundings by more than 50 per cent — 35 per cent while charging and 15 per cent in driving operation. The underbody particulate filter is positioned close to the rear axle, at the location of one of the highest concentrations of particulates in the vehicle's surroundings. This filter captures the particulates that are stirred up by the SUSTAINEER and other vehicles while driving.

The second filter is integrated into the front module and, together with the extractor fan already fitted in the vehicle, filters particulates out of the air. This enables it to also filter the surrounding air at low driving speeds and during the charging process. In addition, low-emission and low-wear brake discs and low rolling resistance tyres with less wear reduce the technology platform's own particulate emissions.

Local measures for improving air quality
Intelligent mobility and logistics concepts can also help to improve the air quality in cities. To this end, the Mercedes-Benz Group has launched some local measures on its own initiative.

We have set up a Corporate Mobility working group at the Sindelfingen location. This group, which meets regularly, deals with the employees' environmentally friendly mobility. The working group met once in each quarter during the reporting year and will be continued in 2022. Internal experts from the technical service (employee mobility), factory planning, works council and plant security have discussed innovative sharing solutions and shuttle services as well as how tried-and-tested solutions can be improved.

A CarSharing app for the fleet was introduced at the Sindelfingen location during 2021. As part of this pilot project employees are able to borrow and return the vehicles in the plant exclusively via the app, without the need for a key handover. The app will be introduced at further plant locations in 2022.

In addition, the working group joined representatives from the Cities of Böblingen and Sindelfingen to examine the accessibility of the Mercedes-Benz plant, i.e. how travel to and from the plant could be made more environmentally friendly for the employees. As a result, several municipal bicycle paths now extend to the gates of the Sindelfingen plant and traffic lights switch more favourably for pedestrians and cyclists.

As part of the local "Mobilitätspakt Rastatt" (Rastatt Mobility Pact) we have above all concentrated on improving the services offered by local public transport. One project addressed the cross-border commuting of employees between Rastatt and the Alsace region as well as the conditions that have to be created so that the plant can provide cross-border shuttle bus transport for about 700 shift employees. The plans for these shuttle buses are expected to be drawn up by mid-2022.

Furthermore, since October 2021 our employees have also been able to hire electric scooters from an external provider for the journey to the Rastatt plant. The scooters can be parked at the cycle parking facilities outside the plant site — the plant has made this possible specially for the provider. The conditions for the hire of the electric scooters are determined by the provider. More and more employees have now made use of the electric scooters. Because this reduces the number of road kilometres driven, it can also contribute to reducing pollutant and CO_2 emissions and ensuring a smoother flow of traffic within cities.

Reducing internal emissions and allergens
Clean air and allergy-tested surfaces in vehicle interiors are very important for the safety and comfort of the occupants. During the model development stage, the Mercedes-Benz Group therefore makes sure that emissions in the interior and allergens are reduced. We also use filters in the air conditioning system to prevent the intake of allergens. Since 2016, many of our car model series have borne the seal of quality of ECARF, the European Centre for Allergy Research Foundation, for their interiors. The ECARF seal is awarded to products whose anti-allergenic properties have been demonstrated in scientific studies.

The following measures are also helping to reduce interior emissions and allergenic substances in our vehicles:

- Further development of the delivery specifications with regard to emissions and odours in vehicle interiors — including limit values for suppliers
- Continuous component optimisation and further development of the materials and manufacturing processes used for interior components
- Monitoring of interior emissions by means of measurements in the in-house vehicle testing chamber

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The Mercedes-Benz Group regularly checks the plants' compliance with the internal and external environmental protection requirements and reporting obligations as part of the environmental management activities at its production facilities. Among other things, checks are carried out to see whether the plants' operations are in compliance with the laws regarding airborne emissions. In the event of any incidents relevant to environmental protection occurring, we document them and take all necessary measures to eliminate possible damage. The management system is monitored both by external auditors as part of the certification process (ISO 14001, EMAS) and by internal environmental risk assessments (environmental due diligence process).

The Mercedes-Benz Group takes the pollutant emissions of its vehicles into account at an early stage of the development process. We specify particular characteristics and target values for every vehicle model and every engine variant in the documentation that accompanies the development process. We also use these specifications to assess the milestones we reach in the course of product development. For this purpose, we compare the current status of a project with the target values and take corrective measures if necessary.

Results

Due to their low emissions, our current Mercedes-Benz vehicles that comply with the emissions standard Euro 6d only have an extremely small effect on NO_2 pollution in cities. The results are based on measurements of NO_x emissions and detailed modelling of the NO_2 immission in local areas subject to high traffic. One point shown by the data is that if every one of the 60,000 vehicles that pass the Neckartor in Stuttgart every day were replaced by a Mercedes-Benz vehicle with emissions standard Euro 6d, the NO_2 emissions from the year 2019 would be reduced from 28 µg/m³ to below 2 µg/m³.

Settlement of the legal dispute concerning diesel emissions

GRI 307-1

During 2020, Mercedes-Benz Group AG — formerly Daimler AG — and its subsidiary Mercedes-Benz USA LLC (MBUSA) took another important step toward legal certainty in connection with various diesel-related proceedings in the United States. After the US regulatory authorities approved a settlement of civil and environmental claims in September 2020, this settlement was approved by the United States Federal Court for the District of Columbia in the course of the reporting year. With this court approval, the settlement has now taken effect. The regulatory proceedings regarding the emission control systems of approximately 250,000 diesel vehicles in the United States have thus come to a conclusion.

Mercedes-Benz Group AG has cooperated with the United States regulatory authorities to the fullest extent during the investigation of these events. We did not receive any Notice of Violation from the EPA or the CARB in the course of these proceedings. In contrast to the settlement agreements of other manufacturers, we were also not placed under the supervision of an external compliance monitor.

As is specified in the settlement agreements, Mercedes-Benz Group AG and Mercedes-Benz USA LLC contest the allegations of the authorities and the claims of the consumers participating in the class action and do not admit to any liability to the United States, California, the plaintiffs, or in any other way. The settlements conclude the pending civil proceedings against Mercedes-Benz Group AG by the US authorities without establishing whether functionalities in the vehicles are inadmissible defeat devices.

On the basis of the existing compliance programme, Mercedes-Benz Group AG consolidated its existing processes and structures into a Group-wide technical Compliance Management System (tCMS) in 2016, and has since then instituted a series of measures to reinforce technical compliance. We have invested in the necessary resources and created positions in order to carry out these measures. The elements of the tCMS are listed in the Compliance Operating Plan, which is an annex to the settlement agreement with

the US government. As part of the settlement with the US authorities, Mercedes-Benz Group AG promised to continue developing its present tCMS.

A detailed description of the institutional proceedings related to diesel emissions can be found in the company's risk reporting.
Risk and Opportunity Report, AR 2021

The European Commission, Mercedes-Benz Group AG and other German car manufacturers also agreed on a settlement during the reporting year and thus concluded the proceedings regarding anti-competitive behaviours in connection with the development of SCR catalytic converter systems for cars with diesel engines. The proceedings related to the period between 2009 and 2014.

Airborne emissions (in t)

GRI 305-7

	2017	2018	2019	2020	2021[1,2]
Solvents (VOC)	7,735	7,929	7,506	6,483	**3,780**
Sulphur dioxide (SO_2)	57	61	60	40	**13**
Carbon monoxide (CO)	2,203	2,515	1,962	1,502	**1,269**
Oxides of nitrogen (NOx)	1,185	1,050	1,568	1,349	**625**
Dust (total)	150	182	228	270	**149**

1 These data include Mercedes-Benz Cars & Vans. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
2 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.


Manganese
Lithium
Propylene carb

Resource conservation

Materiality and goals

GRI 103-1/-2

Target	Target horizon
Proportion of secondary raw materials per vehicle[1] – Cars + 40%	2030
– Energy consumption per vehicle[2] – Cars – 43% – Vans – 25%	2030
– Water consumption per vehicle[2] – Cars – 33% – Vans – 28%	2030
– Waste for disposal per vehicle[3] – Cars – 82% – Vans – 85%	2030

1 On average for the Mercedes-Benz car fleet without smart and vans
2 In production, as compared to the average for 2013/2014
3 In production, as compared to 2018

The worldwide consumption of resources is growing — with negative consequences for the environment and society. That's why the goal of the Mercedes-Benz Group is to increasingly decouple our consumption of resources from the growth of our production volume. We intend to reduce our use of resources per vehicle. Our objective here is to help promote both economic growth and sustainability. Our plan can only succeed if we systematically conserve resources and continue to close recycling loops. For example, we are increasingly using secondary materials and renewable raw materials in our vehicles. In order to also reduce our energy and water consumption and waste generation, we are constantly working to make our production processes more efficient and more environmentally friendly.

Resource-efficient vehicles

Strategy and concepts

Decoupling resource consumption from growth

GRI 103-1

The global economy is growing, and the demand for mobility is increasing. These trends are accompanied by intensified resource consumption that can be detrimental to the environment and society. For example, in many cases the extraction and further processing of primary raw materials is energy-intensive and leads to the emission of pollutants into water, soil and air. No less important is the fact that the use of natural resources also harbours social risks. A fair distribution of raw materials, secure access to clean drinking water, and preventing the violation of human rights in the course of raw material extraction are only a few of the problematic issues.

Today the vehicles of the Mercedes-Benz Group mainly consist of materials such as steel, iron, aluminium and plastic. These materials are expected to be still available in sufficient amounts in the future. However, natural resources are required for their production. We want to keep this consumption of natural resources as low as possible. Our scrap aluminium, for example, is recycled and reused among others in our vehicles via the material cycle. We are also continuing to work on creating completely closed cycles in this area. This will not only conserve valuable resources but also reduce CO_2 emissions, because large amounts of energy are needed for aluminium smelting.

Battery-electric drive systems are a key stage on the way to achieving CO_2 neutrality. The expansion of electric mobility is causing changes in the requirements for specific raw materials. Examples include cobalt and lithium as well as nickel, graphite, manganese and copper in varied amounts. We evaluate these raw materials in comprehensive raw material assessments in order to counteract potential risks for the environment and human rights. In addition, we have a long-term supply strategy for all of the raw materials that we procure directly or indirectly. In the case of critical raw materials, the strategy focusses on in-depth research into substitution technologies and on ensuring raw materials are responsibly procured.

Moreover, we have invested in resource-efficient technologies and production processes for batteries for several years, and we are working on further decreasing the use of critical materials. For example, cobalt accounts for less than 10 per cent of the cathodes of the battery cells in the EQS. This is a much lower amount than in the previous battery generation. Our objective is to dispense with materials such as cobalt altogether by using post-lithium-ion technologies with new material compositions. Our holistic battery strategy also aims to further optimise recyclability and implement the related measures.

↗ Battery development

As a result, the Mercedes-Benz Group's vision is to transform its entire value chain into as closed a cycle as possible. One of the ways to do this is to return our production waste and end-of-life materials to the material cycle. The same applies to the batteries from electric vehicles, which still contain a great deal of valuable materials. The recycling and reuse of these and many other raw materials is the focus of our current strategic activities and will remain so in the future. It's equally important and necessary to integrate our suppliers even more closely into our processes — for example, through dialogues and clearly defined targets. We are also actively engaged in various initiatives that, among other things, have set themselves the goal of reducing the resource consumption of important raw-material industries.

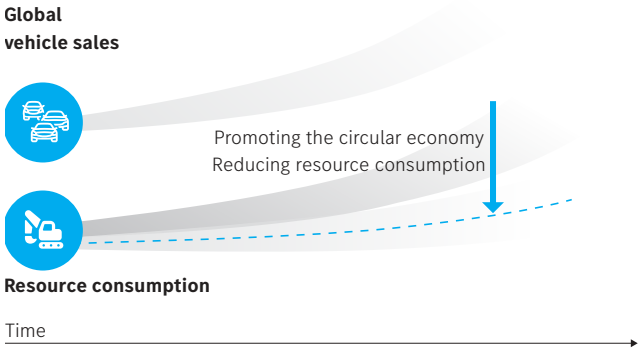
Resource use

GRI 103-2 GRI 301-1

At the Mercedes-Benz Group, the units that are mainly responsible for resource conservation are vehicle con-

cepts, vehicle development, procurement, production planning and production. We make decisions concerning these areas in the specialist committees responsible for the respective model series. These committees consist of the respective subsection representatives and expert groups such as those dealing with specific groups of materials. Corporate management is always involved in fundamental decision-making regarding design concepts, manufacturing technologies and the utilisation of materials. When making such decisions, the management takes multiple factors into account. These include costs, resource-efficient technologies, the use of alternative materials such as secondary materials and renewable raw materials and the potential for industrialisation. During this process, the company's management examines to what extent the results of development can be transferred to large-scale industrial production, for example with regard to the use of raw materials.

Decoupling

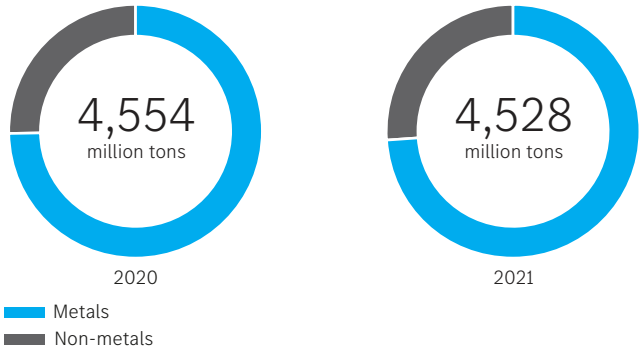


Mercedes-Benz Cars & Vans consumes around 4.5 million tons of raw materials each year to manufacture its products. Some of these substances can be categorised as scarce or critical. We focus especially on the continuous reduction of the amount of these raw materials that is needed per vehicle. To this end, we are already using the "Design for Environment" approach during the vehicle development stage. This means that we design our vehicles to be as resource-conserving and environmentally friendly as possible over their entire life cycle. The cornerstones of this approach are life cycle assessments, lightweight engineering, the use of recyclates and recycling.

Materials — use of metals & non-metals

GRI 301-1

Use of metals and non-metals

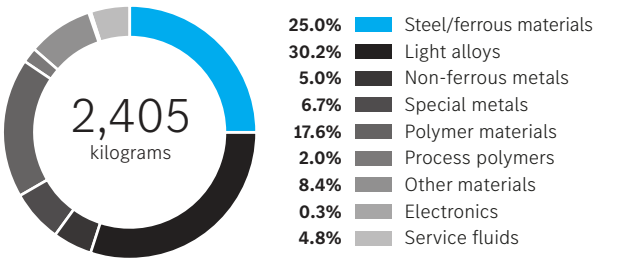


Making life cycle assessments

Mercedes-Benz Cars & Vans makes life cycle assessments to determine the environmental compatibility of its vehicles. We systematically examine a vehicle's environmental effects throughout its entire life cycle — from the extraction of raw materials and vehicle production to product use and recycling. In order to evaluate its resource efficiency, we take a number of additional factors into account, such as the medium-term and long-term availability of raw materials, acceptance by the public and the vehicle's various social and environmental effects and risks. We also use life cycle assessments in our development work, to evaluate and compare different vehicles, components and technologies.
↗ Life cycle assessment of the EQS 450+

Material composition EQS 450+[1]

GRI 301-1



(values are rounded)

1 WLTP²: EQS 450+ combined electrical consumption 19.8-15.7 kWh/100 km, CO_2 emissions 0 g/km; Electricity consumption was determined on the basis of Regulation 2017/1151/EC.

Identifying critical raw materials

Several types of raw materials that are needed for the production of electric vehicles are associated with certain risks. In order to better assess how critical the use of a raw material is or can become, Mercedes-Benz Cars & Vans teamed up with partners from industry and science in 2015 to conduct the ESSENZ research project. The result has been a holistic approach that our engineers are already following in the early phases of vehicle development. The use of the ESSENZ method is based on the life cycle assessment methodology, which makes it possible to systematically analyse the environmental effects of a vehicle along its entire life cycle. The ESSENZ approach not only examines the geological availability of a raw material but also takes socioeconomic factors and social and societal risks into account.

Resource conservation along the supply chain

GRI 103-1/-2 GRI 308-1

The supply chain plays an important role in our efforts to conserve resources. Mercedes-Benz Group AG wants to decouple resource consumption from economic growth. To achieve this goal, it is relying on the support of its suppliers. With their help, we want to continuously increase the proportion of secondary and renewable materials in our vehicles.

We also expect our suppliers of production materials to operate with an environmental management system that is certified according to ISO 14001 or EMAS. Depending on the specific risks, this also applies to suppliers of non-production materials, such as painting services. If a supplier does not have a certified environmental management system, the supplier is given two years to set up such a system and have it certified. If this is not done, the supplier may be excluded from receiving new orders. We also request that our suppliers adhere to the Supplier Sustainability Standards and the associated environmental aspects.

In view of this, Mercedes-Benz AG carried out a risk analysis in 2018 that identified steel, aluminium and plastics as especially important materials. We need large volumes of these materials for the production of our vehicles, and their extraction and processing also consume large amounts of energy and resources. In 2020, Mercedes-Benz AG defined secondary material targets for these resources for Mercedes-Benz Cars & Vans and incorporated these targets in all contract award requirements.

↗ Production materials: Cooperation with the suppliers

Measures

Battery development

Batteries are a key component of electric mobility. At the Mercedes-Benz Group, experts from a variety of disciplines deal with all aspects of this storage technology, ranging from fundamental research to production maturity.

We have invested in resource-efficient technologies and production processes for batteries for several years. Moreover, we are continuously working to optimise the current lithium-ion battery. Here we are pursuing two goals: we want to steadily reduce the use of critical materials such as cobalt in our batteries, and we also want to only procure battery cells containing cobalt and lithium from audited mines. For example, our suppliers will procure raw materials for battery components exclusively from mines that have been audited in accordance with the Standard for Responsible Mining of the Initiative for Responsible Mining Assurance (IRMA).

↗ Stakeholder involvement

We are working hard to develop low-cobalt or cobalt-free technologies that conserve our resources. The production of the batteries also plays an important role in the holistic assessment of the value chain. As a result, Mercedes-Benz Group AG has signed agreements with two strategic battery cell suppliers, stipulating that it would only procure CO_2 neutral battery cells from 2021. Our holistic battery strategy also aims to further optimise recyclability and implement the related measures.

↗ CO_2 neutral production materials

New technologies enable us to consistently reduce the consumption of raw materials while maintaining long ranges. This is impressively demonstrated by our VISION EQXX technology vehicle. Moreover, the Mercedes-Benz Group is conducting research on next-generation alternative battery systems with the aim of shortening development cycles, improving the energy density of our batteries and reducing charging times.

The Mercedes-Benz Group is systematically expanding its research and development activities so that new technologies can be used in series production as early as possible. For example, we are steadily increasing our expertise regarding the technological evaluation of materials and battery cells.

However, we also rely on strong partnerships and cooperative ventures. For example, we are cooperating with the Chinese company Contemporary Amperex Technology Co. Limited (CATL) to drive forward the development of current and future battery technologies, which will be used in many Mercedes-Benz vehicles in the years ahead. In cooperation with Sila Nano, we are working on increasing the energy density of lithium-ion batteries. We want to achieve this goal by increasing the proportion of silicon in the anode. In November 2021, we also formed a partnership with Factorial for the development of solid-state battery technology. In this partnership, the two companies want to jointly develop cutting-edge battery technologies that range from the cell and the modules all the way to the integration in the vehicle battery. The first prototype cells are to be tested in 2022.

Moreover, the introduction of a modular battery architecture in the EQS already enables our customers to adjust the energy content and thus the range to their needs. We will continue this strategy for the upcoming compact and mid-range automobile platform.

Recycled and renewable raw materials

GRI 301-2

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. We are also increasingly using secondary materials and renewable resources in our vehicles.

Mercedes-Benz has set itself the target of increasing the share of secondary raw materials in its car fleet to an average of 40 per cent by 2030. Since 2005, Mercedes-Benz has also ensured transparency concerning which products secondary raw materials are used in. We use environmental certificates (360° Environmental Check) that are open to public view for this purpose. Among other things, these certificates show which components are partly made of resource-conserving materials.

Use of recyclates

Mercedes-Benz uses many components made of recycled materials in its products, depending on the specific vehicle variant and the technical requirements.

One example of this is the all-electric Mercedes-Benz EQC (EQC 400 4MATIC: NEDC: Combined electrical consumption: 21.9–19.4 kWh/100 km; CO_2 emissions combined: 0 g/km)[1]. Customers can order this vehicle with seat cover textiles made of 100 per cent recycled PET bottles. A total of 43 major components that are mostly made of plastic, such as wheel arch linings and underbody panelling, have been replaced with recycled materials. This also applies to a multitude of small parts such as pushbuttons, plastic nuts and cable fasteners. Altogether, we manufacture components with a total weight of 36.9 kilograms partly from recycled materials.

The EQS contains over 80 kilograms of components made of resource-conserving materials. In May 2021, the Hamburg plant began series production of an injection-moulded load compartment cavity for the EQS. It marked the first time that this component was manufactured from such materials for the EQS. An innovative hybrid injection-moulding process (SpriForm) is used to make the component, 60 per cent of which consists of recyclates. Moreover, polypropylene plastic (PP) can be easily recycled, which conserves resources. In the new E-Class, 80 per cent of the bottom of the load compartment cavity is to be made of recyclates.

In May 2021, we switched the floor coverings of the EQS to tufted velour, a new recycling yarn. It consists of regenerated nylon and is made from waste nylon, such as old fishing nets, fabric remnants from mills, and carpets. It has the same properties as nylon made of new raw materials. By using regenerated nylon, we are reducing CO_2 emissions and also closing material cycles.

In order to further promote the creation of a circular economy, we also teamed up with UBQ Materials in 2020.

1 Electricity consumption was determined on the basis of Commission Regulation (EC) No 692/2008.

This Israeli startup turns previously non-recyclable household waste into a filler for plastics. This substitute material for plastic is completely recycled and recyclable. It will soon be used for the series production of various plastic components such as cable ducts.

In May 2021, UBQ Materials and Mercedes-Benz AG received the Sustainability Award in Automotive 2021 in the "Best Startup" category. The two companies received the award for their joint work on the development of sustainable car parts. The Sustainability Award in Automotive honours companies whose products, processes and initiatives have a positive and holistic influence on the sustainability of the automotive industry and make a major contribution to at least one of the UN's 17 Sustainable Development Goals.

The use of recycled materials is also receiving increased political support. For example, the European Commission has supplemented the European End-of-Life Vehicles Directive 2000/53/EC with the European plastics strategy, which requires more recycled materials to be used in vehicle production. Ever since 2000, our specifications for new Mercedes-Benz cars have required a minimum proportion of components containing recycled materials. This proportion varies depending on the vehicle's model and series.

In order to further promote the use of recycled materials, the Mercedes-Benz Group is encouraging its experts to share information with one another and with suppliers of automobile components and recyclates. Before contracts are awarded and during the joint design of components, suppliers of the Mercedes-Benz Group have to present newly developed recycled materials and determine whether it is possible to switch components to the use of recyclates. Technical issues can be directly discussed.

Use of renewable raw materials

The Mercedes-Benz Group can also reap many benefits from the use of renewable raw materials. By using them we can reduce the weight of components. Moreover, their CO_2 balance is almost neutral when their energy is recovered, because only as much CO_2 is released as was absorbed by the plant during its growth. Last but not least, renewable raw materials help to reduce the consumption of fossil resources. We utilise a broad range of renewable raw materials such as hemp, kenaf, wool, paper and natural rubber.

The new Mercedes-Benz S-Class shows how many components can be partially manufactured from renewable raw materials. For the interior we developed a microsandwich material that is reinforced with natural fibres in many components. It is used in the map pockets in the door trims, in the tensioning part of seat backrests and for the rear shelf. This material weighs 40 per cent less than a comparable conventional component. The lower weight leads to a decreased need for primary energy along the vehicle's path from production to use and finally to the end-of-life phase. Moreover, the material, which is made of natural fibres, is very break-resistant and thus contributes to vehicle safety.

Another example is the SUSTAINEER, which is based on the eSprinter. This technology platform has underbody panelling made of recycled polypropylene, scrap tyres and the filler UBQ, which, in turn, is manufactured from recycled household waste. These panels are recyclable and biodegradable. In addition, they contain no formaldehyde and can be coated to make them waterproof. All of the wood elements are FSC®-certified. This means that the wood comes from sustainably managed forests.

Lightweight engineering

Intelligent lightweight construction can reduce the weight of a vehicle without compromising our high standards of safety and comfort. This means that we need to select the right materials. Component design and manufacturing technology also play an important role. At 35 per cent, the bodyshell accounts for the biggest share of the total weight of a car with a conventional drive system. This is followed by the suspension at 25 per cent, the comfort and safety equipment at 20 per cent and the engine and transmission at 20 per cent. Thus the most effective approach is to focus on the vehicle's bodyshell.

Aluminium is especially ideal for lightweight construction because it is light, stable and has other positive properties. For the bodyshell, the Mercedes-Benz Group is increasingly using aluminium alloys for exposed automotive panelling (bonnet, wing, roof, boot lid) and reinforcement components (inner part of the bonnet, roof reinforcements).

The new Mercedes-Benz S-Class offers a look at what can already be achieved with a holistic lightweight construction concept. It makes the vehicle up to 65 kilogram lighter than the predecessor model. The bodyshell is produced by means of an aluminium-steel hybrid construction process. Mercedes-Benz has significantly increased the percentage of aluminium in this process compared to that of the predecessor model; all of the components except for the main floor now consist of aluminium. By comparison with the predecessor model series, the bodyshell of the new S-Class is 30 kilograms lighter. The brand has also paid particular attention to the topic of "unsprung mass". As a result, weight-optimised and aerodynamic aluminium rims that can further reduce fuel consumption are now available for the S-Class.

Production materials: Cooperation with the suppliers

GRI 308-2

Mercedes-Benz AG is continuously cooperating with its suppliers to develop materials and alloys that contain as high a proportion of secondary materials as possible in order to reduce the use of primary materials. We are also involved in a dialogue with them in order to prevent other sustainability-related risks. For example, we explicitly oppose all forms of illegal deforestation.

Aluminium

Aluminium is not only lightweight but can also be recycled many times without a loss of quality. Moreover, its recycling process requires only about five per cent of the energy that would be needed to produce new aluminium. That's why Mercedes-Benz AG is making increased use of this light metal and is working together with its suppliers to create aluminium alloys that contain a proportion of scrap. For example, we developed aluminium alloys that contain recycled scrap aluminium from sources such as end-of-life vehicles, façade panels or packaging — known as end-of-life scrap. At the same time, they also meet the high standards for properties such as crash resistance, durability and corrosion resistance that Mercedes-Benz AG requires for alloys used in structural die-cast components. The body of the upcoming Mercedes AMG-SL contains selected cast components made of such a secondary aluminium alloy. This reduces the CO_2 emissions from aluminium production by more than 90 per cent. In addition to the increased use of recycled aluminium, Mercedes-Benz AG also ensures that the primary material is sustainable. For example, suppliers of the European foundries and press shops will only be awarded contracts in future if the primary aluminium used comes from sources certified by the Aluminium Stewardship Initiative (ASI) — i.e. if it has been certified according to the ASI standard from the mine to the rolling mill. Moreover, we are already procuring CO_2-reduced material for our foundry in Mettingen.

↗ Involvement in raw material initiatives
Aluminum supply chain

Steel

Mercedes-Benz AG is working together with its steel suppliers to make the steel supply chain more sustainable. In doing so, we are consciously focussing on the avoidance and reduction of CO_2 emissions rather than on offsetting carbon emissions.

In 2021, Mercedes-Benz became the first automaker to participate in the Swedish startup H2 Green Steel (H2GS). As the startup's preferred partner, we want to launch CO_2-free steel in a variety of vehicle models from as early as 2025. This will be another important step in the direction of CO_2 neutrality. H2GS produces CO_2-free steel by using hydrogen and electricity from exclusively renewable sources. By way of comparison, the conventional blast-furnace process generates on average more than two tons of CO_2 for every ton of steel produced.

Since 2020 we have been procuring steel from the US manufacturer Big River Steel. Through the use of recycled scrap steel and renewable energies, this steel reduces the CO_2 emissions from steel manufacturing for Mercedes-Benz products by more than 70 per cent compared to the conventional blast-furnace process.

Since 2021 Mercedes-Benz has also been procuring more environmentally friendly flat steel products from Salzgitter Flachstahl GmbH. CO_2 emissions have been decreased by more than 60 per cent compared to the conventional steel production process. This significant CO_2 reduction is achieved through the use of almost 100 per cent scrap metal in an electric steel-melting shop.

In 2021 we also formed a partnership with the Swedish manufacturer SSAB AB for the delivery of CO_2-free steel for our products. Together the partners are already laying the groundwork for putting green steel into vehicles

as soon as possible. The first prototype body parts made of CO_2-free steel are already being planned this year.

Leather
Mercedes-Benz clearly positions itself against all forms of illegal deforestation. We request from our suppliers that the supply chains of the products that we procure from them do not cause any kind of illegal clear-cutting and do not threaten or destroy high conservation value forests. This is also specified in our awarding requirements.
During the reporting year, we entered into a dialogue with all of our leather suppliers in order to identify sustainability-related risks (e.g. illegal deforestation) and where necessary promote the implementation of improvement measures. In addition, all of our leather suppliers have confirmed in writing that their leather comes from cattle that live outside the regions Amazônia, Cerrado, Pantanal, Gran Chaco, Mata Atlântica and Chocó-Darién in South America, where the danger that they graze on illegally cleared forest areas is very high. Only a small percentage of the leather in our supply chains comes directly from Brazil. We are currently examining various measures for addressing risks related to the procurement of leather from Brazil.

We take information about violations of our requirements seriously and investigate them.

The circular economy

GRI 301-3

The overarching goal of the circular economy is to maintain the value of products, components and materials as long as possible. This basic principle has also been embedded in EU legislation since 2015. The Mercedes-Benz Group too is increasingly depending on measures that promote the circular economy. In doing so, we employ a hierarchy of waste. The top goal is to avoid waste. In order to reach this goal, we are working to extend the service life of all vehicle components — for example, by using especially long-lasting materials. We are also using resources efficiently and reducing the use of raw materials that are only available in limited amounts. Only then do we move down the hierarchy of waste to measures for reusing various components and parts and for recovering materials by means of recycling.

Reuse — new life for used parts
The Mercedes-Benz Used Parts Center (MB GTC) is an important element of the recycling chain for keeping raw materials within the business cycle. This captive specialist enterprise was founded in 1996 and dismantles more than 5,000 vehicles each year, ranging from end-of-life automobiles to preowned vehicles and vehicles that have been wrecked in an accident. Our experts inspect the used parts, which have to meet the same high quality standards as new components. They are then sold to workshops and end customers so that they can be used for fair-value-based repairs.
Used parts that do not pass the strict quality inspections are not reused as spare parts. If that is the case, we aim to regain important materials such as copper from wires, gold from connector contacts and platinum and rhodium from catalytic converters. In addition to precious metals, many components also contain aluminium and iron scrap, glass (panes) and plastic. Even used tyres can be reused as aggregate in road construction.

Remanufacturing — value retention for prolonging life
In remanufacturing, the Mercedes-Benz Group reconditions used vehicle parts in order to subsequently reuse them. In the process, the used Mercedes-Benz genuine parts for cars, vans and trucks are reconditioned in such a way that their functionality, safety and quality correspond to those of a new part. The vehicle parts are only recycled when they can no longer be reused in a vehicle.

Remanufacturing makes it possible to avoid waste, conserve raw materials and reduce energy consumption. A calculation certified by TÜV SÜD shows that remanufacturing a Type NAG2 transmission saves about 215 kilograms of CO_2 and 3,074 MJ (854 kWh) of energy compared to a new part.

Re-utilisation of high-voltage batteries
The lithium-ion battery is the centrepiece of the electric vehicle. However, the production of the battery requires a great deal of energy. Besides, lithium-ion batteries contain a number of valuable raw materials such as lithium and cobalt. For this reason, the Mercedes-Benz Group strives to reuse batteries before they are recycled. Reprocessing a used battery consumes much less energy and raw materials than producing a new one.

And every reprocessed battery reduces the volume of waste, because it forestalls the production of a new battery to meet the demand for spare parts or other applications.

Defective batteries are reprocessed for reuse in vehicles. Because of our high quality standards, this is the fate of most of the batteries that are sent to our central reprocessing plant in Mannheim. After being reprocessed in line with the requirements of series production, the batteries' function and quality are closely inspected. Batteries that are no longer suitable for reuse in a vehicle — for example, because of a reduced capacity — can be reused in a stationary energy storage unit. This is how we improve the life cycle assessment of electric vehicles while also contributing to the establishment of a sustainable energy industry. Mercedes-Benz Energy GmbH, based in Kamenz, Germany, is a subsidiary of Mercedes-Benz AG and responsible for the development of such innovative energy storage solutions. It uses the automotive battery technology that is employed in the electric and hybrid vehicles from Mercedes-Benz and smart. By creating stationary energy storage units, Mercedes-Benz Energy GmbH and its partners from the energy industry are, in a sense, taking batteries out of electric vehicles and connecting them to the grid. The spectrum of Mercedes-Benz Energy's large-scale storage systems ranges from ⊙ units for offsetting peak demand and black starts (ramping up a power station independently of the grid) to the uninterrupted supply of electricity. The company especially focusses on second-life applications and spare-part storage units. Many energy storage units of this kind, with a total capacity of more than 95 MWh, are already operating in Germany.

The first second-life battery storage system went online in Lünen, Westphalia in October 2016. Battery systems that have yet to be installed in electric vehicles, and have instead remained in stock as spare parts, can also be used as energy storage units. The energy storage units in Hanover and Elverlingsen are examples of this. Moreover, a partnership agreement for the use of stationary energy storage systems for hydroelectric power plants was signed in December 2020 by Mercedes-Benz Energy and ANDRITZ Hydro GmbH, a subsidiary of the international technology group ANDRITZ AG.

In addition to various large-scale projects, Mercedes-Benz Energy has, since 2020, been offering a flexible container storage system, the Mercedes-Benz energy storage unit. The electricity supply of Factory 56 in Sindelfingen demonstrates a use case for this energy storage solution. A pilot plant of this system at Factory 56 was the first innovative direct-current system to be installed at a Mercedes-Benz facility to feed electricity directly into the plant's direct-current network without any inverters and losses. A stationary energy storage unit consisting of vehicle batteries with a total capacity of 1,400 kWh is connected to the direct-current system. It can also store solar energy and release it on overcast days. The hall is also supplied with electricity purchased from renewable energy sources.

Recycling — keeping the end in mind from the very start

GRI 306-4

When developing products, the Mercedes-Benz Group keeps the circular economy in mind from the very start, and it prepares a recycling concept for each new vehicle model. This process includes analysing all the components and materials to find out how suitable they are for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85 per cent recyclable in accordance with ISO 22628. They also comply with the European End-of-Life Vehicles Directive 2000/53/EC, which specifies that 95 per cent of the materials in cars and vans with a gross vehicle weight of up to 3.5 tons have to be capable of being reused or recovered.

Mercedes-Benz recycles drive batteries

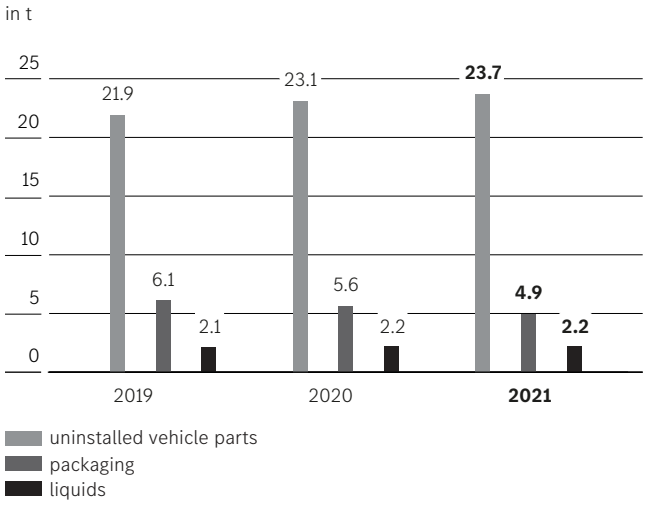
Once it is no longer possible to recondition or reuse a battery, it is recycled in order to recover valuable raw materials. Today we are already able to go far beyond the recycling quotas that are prescribed for drive batteries by the battery law. The battery housings, the cables and the busbars can be recycled without any difficulty. Recycling the battery modules, which contain most of the valuable materials, is somewhat more complicated. The processes already exist, but they still need to be further developed so that the valuable raw materials can be recovered in as pure a state as possible.

The basic goal is to increase recycling rates even further. The vision is to use the old batteries of today as a

"raw materials mine" for the batteries of tomorrow. In order to reach this goal, Mercedes-Benz is involved in the research and development of new recycling technologies and promotes their establishment on the market. We are cooperating with specialised partner companies to further optimise the recycling process, and we are also participating in sponsorship and research projects.

The number of batteries to be recycled will rise steadily as electric vehicles increasingly penetrate the market. In view of the life cycle of electric vehicles, we expect significant amounts of recyclable material to become available in the 2030s. To enable this potential to be used as effectively as possible, we plan to build a battery recycling factory at our location in Kuppenheim. Our aim is to create and secure recycling capacities and the related expertise. The production launch is scheduled for 2023, depending on the results of our promising talks with the authorities.

Removal of workshop waste with MeRSy



Effectiveness and results

The effectiveness of our management approach

GRI 103-3

In its management approach to resource conservation, the Mercedes-Benz Group aims to increasingly decouple resource consumption from sales growth. To this end, we have defined the guidelines in our vehicle specifications and introduced the corresponding measures. The goals and guidelines are being observed within the framework of the Mercedes-Benz development system. Mercedes-Benz is currently cooperating with the development unit and with procurement to optimise the related processes and the data quality.

Results

GRI 306-5

Waste material created during the maintenance or repair of our vehicles is collected and recycled via MeRSy — Mercedes-Benz Recycling System, our system for the management and disposal of workshop waste (uninstalled vehicle parts, liquids and spare parts packaging). During the reporting year, MeRSy collected a total of 23,700 tons of uninstalled vehicle parts, 2,200 tons of liquids and 4,900 tons of packaging and forwarded them for recycling.

Resource conservation in production

Strategy and concepts

More environmentally friendly production

GRI 103-1

Not only the use of resources in the vehicle but also the consumption of resources in production plays an important role in the environmental compatibility of vehicles. For this reason, the Mercedes-Benz Group is working continuously to make production more efficient and more environmentally friendly. In order to reduce the environmental footprint of our production processes, we want to use less water, energy and raw materials.

One important lever for reaching this goal is our measures to increase our energy efficiency. By becoming more energy-efficient we decrease our energy consumption and conserve resources while reducing the CO_2 emissions of our production processes. We also want to reduce our water consumption — for example, by closing water cycles. Conserving resources also means reducing waste volumes. Accordingly, we are intensifying our efforts to use lower volumes of raw materials and other materials at our locations.

Group-wide resource management

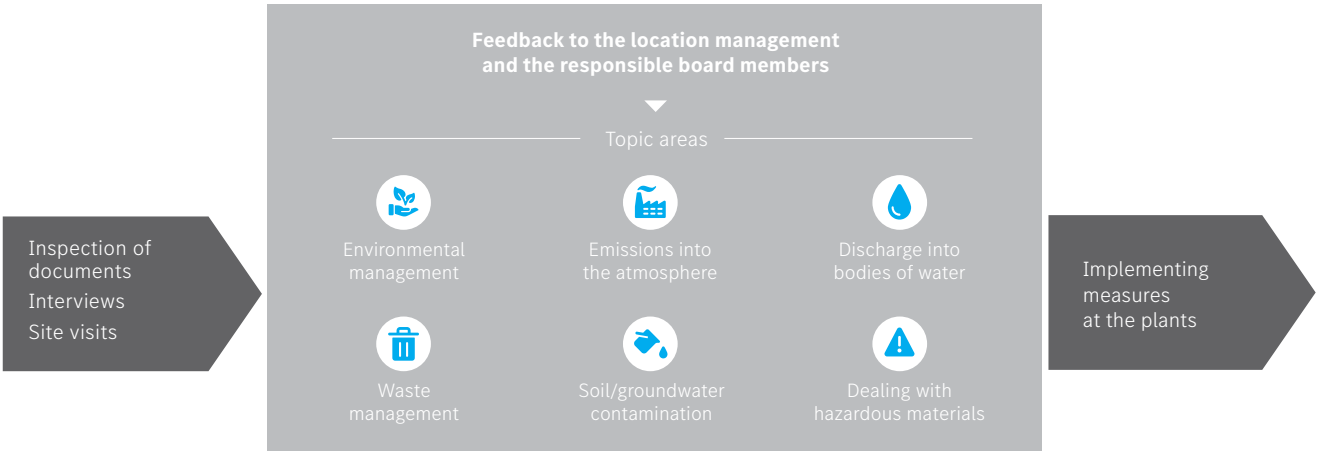
GRI 102-29/-30/-31 GRI 103-2

Shrinking the environmental footprint of our production processes is an integral part of our business strategy. In order to ensure efficient, high-quality, legally compliant and environmentally friendly manufacturing operations, we have established environmental management systems in accordance with EMAS or ISO 14001 at our production locations. Since 2012 we have also introduced energy management systems certified in accordance with the DIN EN ISO 50001 standard at our German production locations. These energy management systems are certified at regular intervals. We are currently also implementing ISO 50001 systems at a number of individual locations outside Germany. In accordance with the standard, we have embedded environmental and energy management within our organisation. By means of these systems we aim to achieve efficient, high-quality production processes that are also environmentally compatible, safe and in conformity with the law. The individual divisions and production locations are similarly responsible for the conservative use of resources. They set overarching and location-specific targets and report on these topics to the respective management. This procedure is the result of our system of targets, which was adopted by the Board of Management as a component of the sustainable business strategy.

Among other things, these environmental and energy management systems ensure clear areas of responsibility as well as transparent and standardised compliance with internal and external regulations for environmental protection and energy efficiency. In addition, they ensure that our production facilities worldwide engage in comprehensive reporting. Within the framework of our local environmental management systems and the overarching, company-wide risk assessments, we monitor the legally compliant operation in the areas of waste management, airborne emissions, wastewater discharge, soil/groundwater contamination and the handling of environmentally hazardous substances. In the event of any relevant shortcomings, we document and eliminate them.

The effectiveness of the management systems is monitored by external auditors as part of the certification process (ISO 14001, EMAS, ISO 50001), as well as in the environmental sector by internal environmental risk assessments (environmental due diligence process).

Environmental risk assessment



As early as 1999, we developed an environmental due diligence method in order to ensure transparency regarding potential environmental risks at our production locations, assess these risks and take the necessary preventive measures. Since then we have employed this method throughout the company — both internally at all production locations in which the company has a majority interest, as well as externally in connection with our planned mergers and acquisitions. We also have a standardised process in place for inspecting and assessing the Group's consolidated production sites every five years. The results of this process are reported to the respective plant and company management so that any necessary optimisations can be carried out. In addition, we annually assess the extent to which our recommendations for minimising risks at the locations have been put into practice. The objective of our environmental risk assessments is to ensure that we meet high environmental standards at all of our production locations around the world.

Between 2000 and 2019 we concluded four cycles of risk assessments at the production locations of Mercedes-Benz Cars & Vans. The fifth round of the environmental risk assessments commenced in 2019 and will run until 2023.

Travel restrictions and lockdown regulations due to the covid-19 pandemic prevented the location inspections from taking place as planned in 2020 and 2021. The inspections that had to be cancelled will now be carried out over the next few years so that Mercedes-Benz AG can retain the five-year rhythm. We are continuing the internal reporting process, as well as our controlling of the improvement measures, as usual.

Measures

Training sessions on environmental protection

The Mercedes-Benz Group conducts environmental protection courses at its locations. The important content of our training courses includes waste and hazardous materials management, water pollution control, wastewater treatment, emergency management in case of environmentally relevant malfunctions and the planning of plants and workplaces in accordance with environmental protection principles.

The frequency and the content of our training sessions for employees depend on legal requirements as well as on local conditions. These requirements can differ depending on the location. In Germany, the corporate function "Sustainability, Group Environmental Protection & Energy Management" offers annual training courses for qualifying the officers responsible for air and water pollution control and waste management as required by German law.

Reduction of energy consumption

GRI 302-4/-5

The Mercedes-Benz Group regularly measures and assesses essential energy consumption in order to identify and take advantage of savings potential in the

areas of production and infrastructure. Energy consumption is systematically recorded in a Group-wide database.

In order to save energy, we have, for example, optimised the switching times of lighting and ventilation systems at our locations and replaced conventional light sources with LEDs. In addition, we have implemented new lighting control concepts, including dimming functions. We've also optimised the controls of building technology systems and introduced a demand-oriented airflow management system.

Furthermore, the Mercedes-Benz Group always looks for high levels of energy efficiency when it is purchasing new production facilities or converting buildings. We focus on the control systems for all technical installations and components, as well as a transparent system for measuring consumption. For example, we consider it important to have production equipment that can be switched off during breaks and non-production times and can be operated efficiently even under partial-load conditions. Moreover, we are sensitising the workforces at the plants to the issue of energy conservation by means of various measures such as generally visible tips, training courses and energy measurements in the production facilities. We're also conserving energy by means of many different technical measures, including an intelligent robot control system, highly efficient turbo compressors for centralised compressed air production and the systematic reduction of the base load of management and production units. Furthermore, we are striving toward an efficient control system for all of our energy supply and building technology facilities.

During the reporting year, Mercedes-Benz AG used highly efficient robots to assemble the new S-Class and the EQS. This enabled energy consumption to be significantly reduced compared to the predecessors.

In addition, Mercedes-Benz increased the energy efficiency of its plant in Tuscaloosa, Alabama (United States) in 2021 by, among other things, optimising existing ventilation systems, switching to LED lighting and using a highly efficient cooling unit for the new battery factory, which will commence operation in 2022.

At all Vans locations, we are optimising and expanding the technical systems for the recovery of waste heat from our processes. During the reporting year, a new heat recovery system was, for example, installed in the paint booths of the plant in North Charleston, South Carolina (United States). This allows heat energy to be recovered and fed back into the painting process.

The Mercedes-Benz Van plant in Düsseldorf optimised ventilation systems during the reporting year. Highly efficient drive systems, improved airflows and needs-based volumes of air significantly reduce energy consumption.

The Mercedes-Benz Group in China

Beijing Benz Automotive Co. Ltd. (BBAC)	Fujian Benz Automotive Co. Ltd. (FBAC)	Shenzhen DENZA New Energy Automotive Co., Ltd.
Ownership 49 per cent Daimler, 51 per cent BAIC	**Ownership** 50 per cent Mercedes-Benz Vans Hongkong Limited, 35 per cent BAIC Motor Corporation Ltd., 15 per cent Fujian Motor Industry Group Corporation	**Ownership** 50 per cent Daimler, 50 per cent BYD Co., Ltd.
Location Beijing	**Location** Fuzhou	**Location** Shenzen
Production volume in 2021 578,254 units	**Production volume in 2021** 37,766 units	**Production volume in 2021** 4,858 units
Production EQC[1] SUV, AMG A35L, A-Class L, C-Class SWB & LWB, E-Class L, GLC SUV L, GLB, GLA, EQA, EQB	**Production** Body shop and Paint shop and assembly plant for vans (V-Class, Vito)	**Production** DENZA X PHEV DENZA X BEV
Energy consumption 1,059.3 GWh – thereof electricity: 505.7 GWh – thereof renewable electricity: 33 GWh – thereof natural gas: 520.6 GWh	**Energy consumption** 119.4 GWh – thereof electricity: 55.8 GWh – thereof natural gas: 63.5 GWh	

1 EQC 400 4MATIC: NEDC: Combined electrical consumption: 21.9–19.4 kWh/100 km; CO_2 emissions combined: 0 g/km. Electricity consumption was determined on the basis of Commission Regulation (EC) No 692/2008.

Efficient water utilisation

GRI 303-1/-2/-3/-4/-5

Water is not only a precious commodity — it is also scarce. According to UNESCO's World Water Development Report, climate change, population growth and increasing consumption will lead to water scarcity for more than five billion people in 2050 — if we continue to use water at the present rate. That's why the Mercedes-Benz Group wants to help create a more sustainable water management system and continue reducing its water consumption.

We are achieving this reduction by closing our water cycles — for example, by treating process water and using closed-loop cooling systems instead of open ones. For instance, the new paint shops are now using dry instead of wet separation technologies. Mercedes-Benz has also implemented water-conserving measures for the rain test, which is used to check the water resistance of all new vehicles. At some locations, we are using a biological water treatment system that does not employ biocides. As a result, the wastewater contains fewer pollutants, and the volume of water can be retained and reused within the cycle roughly three times as often.

Wastewater from the production processes and sanitary facilities is either channelled to local wastewater treatment and disposal facilities according to local regulations or pretreated and purified at the company's own sites. the Mercedes-Benz Group also has biological wastewater plants at a number of its locations. The risk of polluting rainwater on our plant premises is reduced through the Group's regulations for environmental protection.

In order to improve water quality and minimise the risk of water pollution, our efforts related to waste water discharge encompass measures such as regular wastewater checks and their documentation. In order to initiate targeted measures at the locations, we developed the standard "Storm Water Protection — Pollutant Discharge Elimination" in 2014. This standard provides fundamental information and guidelines for the prevention and reduction of potential environmental damage through the rainwater management systems at production facilities, company-owned

sales and service outlets and workshops. Since then, it has provided a basis for the targeted improvement of water quality.

Assessing water-related risks
At the Mercedes-Benz locations, we also evaluate water-related risks as part of our environmental risk assessments that take place every five years. The focus is on water extraction, discharge, flooding, scarcity and contamination. If necessary, remedial measures are initiated and their implementation is monitored. This ensures that technical and organisational risks are reduced in a demonstrable manner. Based on the assessments made over the past five years, only a few locations that suffered from water stress were identified.

Since 2021, Mercedes-Benz AG has also been working with the World Wide Fund for Nature (WWF). We use the WWF water risk filter to examine and identify locations where there might be negative effects in the future. All of the Mercedes-Benz AG production locations were examined during the reporting year. Several of them will continue to be monitored.

Less waste

GRI 306-1/-2

The goal of the Mercedes-Benz Group is to keep the waste volumes generated in its production operations as low as possible. In order to make these efforts more focussed and long-lasting, we want to make the reduction of the total volume of waste a mandatory goal in the future.

In order to achieve this goal, it is important to ensure transparency concerning the waste value streams and to correctly separate the various types of waste. In Europe we classify different types of waste according to waste key numbers, and we treat and dispose of them according to legal requirements. We work with licensed and regularly certified waste disposal companies to ensure the professional disposal of our waste materials. Furthermore, we continue to implement new or optimised production processes in order to reduce waste such as clippings, sands, filter media and slurries.

Among other things, the sub-plant in Hedelfingen has installed filters into the swarf conveyor system. This enables more processing oil to be reused and reduces the amount of waste by 360 tons per year. We have also optimised the treatment and process reuse of old sands at the Untertürkheim plant. This continuous reuse of the sand cuts waste by more than 800 tons each year. During the reporting year, we also expanded the pre-treatment system for wastewater at the plant in Yesipovo (Russia), thus reducing the waste from water-soluble paints and coatings by over 1,500 tons.

However, our measures are not only restricted to individual locations, as we also search for cross-plant solutions for reusing operating materials. Among other things, we reuse the end caps of powertrains. These caps have a specific weight of 44 grams and their reuse in axle manufacturing can reduce waste by more than 20 tons per year.

Avoiding waste and CO_2 emissions in catering
The production and sale of food and the disposal of food waste all have a considerable impact on the environment. The Group's catering company in Germany, Daimler Gastronomie GmbH, provides around 45,000 employees with food and beverages daily at 11 locations in 30 staff restaurants and 70 company-owned shops. Our goal is to reduce the CO_2 balance of our food and the volume of waste it generates.

Since March 2021 we have only offered take-away meals and drinks in disposable non-plastic packaging made of renewable raw materials. This switch enables us to cut plastic use by about 57.9 tons per year. However, we focus on reusable alternatives. As a result, we introduced a reusable non-plastic cup in January 2021. A deposit is charged for these cups. Since April 2021 we have also been offering a free reusable container for take-away food.

We want to reduce the CO_2 emissions caused by our bought-in and prepared meals by up to 15 per cent in 2022. We want to achieve this goal by increasingly procuring regional and seasonal goods for our meals. Moreover, we want to optimise the use of meat and dairy products. For example, we now offer a vegan dish every day and will calculate the greenhouse gas emissions of individual meals in the future. Since December 2021, Daimler Gastronomie has been displaying its CO_2 emissions at several locations. By March 2022, this kind of labelling is to be introduced at all of its directly

operated canteens. This will enable us to depict savings in CO_2 emissions and increase our employees' awareness of what they eat while encouraging them to do so in an environmentally friendly way.

Wasting less food is another means of cutting CO_2 emissions. That's why we constantly weigh our waste food and make sure to avoid causing such waste along the entire value chain. Moreover, we set concrete goals for every year. During the reporting year, we achieved our goal of reducing the amount of waste food by five per cent relative to the previous year. We want to achieve this goal again in 2022.

Biological diversity

The decline of biodiversity is a global problem that is steadily growing. There are many causes for this decline, including the massive use of natural resources, increasing pollutant emissions and production-related inroads on habitat. Along with measures to reduce immissions and protect the climate as well as soil and water resources, another important task for Mercedes-Benz Group AG is the maintenance and promotion of biodiversity at its locations. At our production plants we have already established many measures to preserve the environmental balance, and we will continue to expand them in the future.

Our internal recommendations for promoting biodiversity include practical tips for creating semi-natural habitats at our plants. They encourage the plants to actively promote biodiversity and to consider this aspect when construction work is being planned, as well as implementing the corresponding measures. For example, at our locations we have created insect hotels and nesting aids for local birds, set up hotels for wild bees and created greening for roofs and façades, dry stream beds, rock gardens and flowering meadows. We have also redesigned semi-natural green areas at many of our locations in Germany. The German environmental organisation NABU has provided advice, support and documentation for our programmes benefiting the flora and fauna at these locations.

Many of the plants in Germany use the biodiversity index (BIX) we have developed in-house to evaluate their sites. The index indicates the environmental value of a plant-covered area or of an entire location. The BIX can be used to determine whether appropriate measures are required to promote biological diversity.

In order to make the employees aware of the importance of biodiversity, we have designed a travelling exhibition on this topic and presented it at many German locations in the reporting year.

In 2022, the Group's sales outlets will install hive aids for wild bees throughout Germany in order to contribute to biodiversity at the local level.

Involvement in raw material initiatives

Raw material initiatives serve as important platforms for making the procurement of raw materials more environmentally and climate-friendly and more responsible. They provide cross-sector mechanisms such as auditing standards and certification systems that help, among other things, to make it possible to trace the origins of materials. The Mercedes-Benz Group focusses here on aluminium and steel:

- **Aluminium Stewardship Initiative:** The Mercedes-Benz Group joined the Aluminium Stewardship Initiative (ASI) in 2018. Through our membership, we are promoting the introduction and spread of an independent certification system for the entire aluminium value chain. The Responsible Aluminium Performance Standard combines ethical, environmental and social aspects. In the area of resource conservation, it particularly focusses on greenhouse gas emissions, airborne emissions, wastewater, waste and water. As a member of the Standards Committee, we are currently reworking and enhancing this standard. Mercedes-Benz AG already procures ASI-certified materials for certain components, such as those in the EQS. In addition, we only award contracts to our tier-1 press shop and foundry suppliers in Europe if they procure their primary aluminium from ASI-certified sources.
- **Responsible Steel Initiative:** The Mercedes-Benz Group has been a member of the Responsible Steel Initiative since 2018, because steel accounts for the largest proportion of material used in automobile construction. It is also the world's largest raw materials industry. The Responsible Steel Initiative is developing a uniform certification system that, on the one

hand, specifies requirements regarding the responsible use of resources and, on the other, addresses the greenhouse gas emissions caused by the steel industry. The requirements of the certification system have been defined cooperatively by a number of stakeholders including the Mercedes-Benz Group. Our contribution particularly features the end customer's perspective.

Initiatives for sustainable raw material supply chains

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The Mercedes-Benz Group wants to steadily reduce resource consumption in production. To this end, we have set ourselves targets for water and energy consumption as well as for the volume of disposable waste per vehicle. We plan to achieve these targets by 2030. In order to monitor progress toward its goals and its reporting in this area, we systematically compile key environmental and energy data from the plants in Germany and abroad. The production locations throughout the world enter this data into a central environmental data information system for subsequent evaluation.

On the basis of this data and with the help of internal and external tools, we assess the extent to which we are reaching the resource targets we have set for our plants. For in-house assessments, we have defined key figures, which we regularly monitor. We have commissioned an auditing company to conduct the external audit. This company annually evaluates a selected number of our corporate goals and their implementation. We use the audited results of these evaluations to adapt and improve our measures for resource conservation.

Results

GRI 302-3/-4/-5

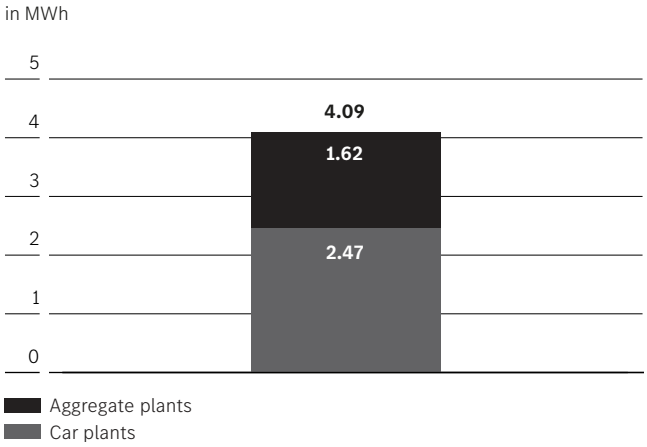
The projects for resource conservation were implemented as planned. Despite increasing energy efficiency, during the reporting year the energy consumption per vehicle at Mercedes-Benz Cars rose by ten per cent compared to 2020. The efficiency measures implemented were overlaid by increased consumption by our ventilation and heating systems due to the pandemic and by multiple ramp-ups of new models. An additional factor was due to the maintenance of production readiness at our plants during the semiconductor supply bottlenecks.

Approximately ten per cent of the energy consumption per vehicle produced is due to generation losses in the production of power and heat in our highly efficient combined heat and power plants.

The powertrain plants at our production locations manufacture products and parts kits for vehicles the production output of which is not consolidated in the scope of our balance. Around 30 per cent of our energy consumption of the powertrain plants is accounted for by these production volumes.

Due to similar effects, the energy consumption per vehicle at Mercedes-Benz Vans increased by five per cent compared to the previous year.

Energy consumption per vehicle by car and powertrain plants



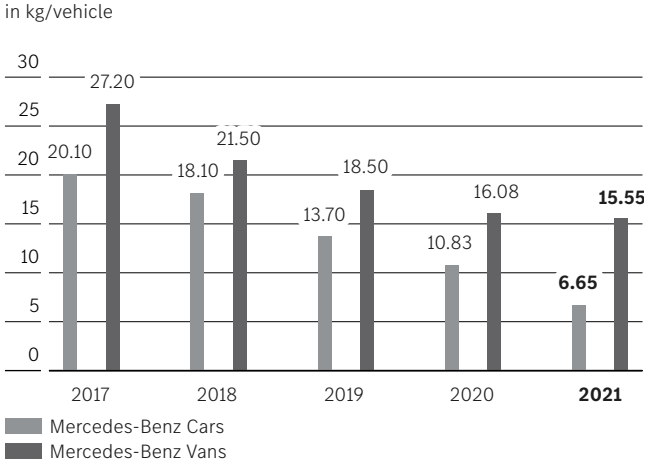
Mercedes-Benz Cars & Vans consumed 6,786 GWh/a of electricity, natural gas, fuels and other energy carriers in 2021. This was an increase of three per cent on the prior year.

At Mercedes-Benz Cars, water consumption per vehicle rose by five per cent in the reporting year, compared to 2020. This was also due to the maintenance of production readiness at our plants during the semiconductor supply bottlenecks and multiple ramp-ups of new

models. Mercedes-Benz Vans was able, in contrast, to reduce the water consumption per vehicle by around two per cent compared to the previous year.

The volume of disposable waste per vehicle at Mercedes-Benz Cars decreased during the reporting year by 39 per cent compared to 2020. In recent years, waste has continuously decreased at Mercedes-Benz Cars due to the reduction of the waste components that made up a large part of the amounts disposed of at the plants for major assemblies and CKD production. Mercedes-Benz Vans reduced the volume of disposable waste per vehicle by three per cent compared to the previous year.

Development of waste for disposal Mercedes-Benz Cars & Vans



Energy consumption (in GWh)

GRI 302-1

	2017	2018	2019	2020	2021[1, 2]
Total	**11,340**	**11,607**	**11,287**	**9,711**	**6,786**

1 These data include Mercedes-Benz Cars & Vans. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
2 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Water withdrawal (in 1,000 m³)

GRI 303-3

	2017	2018	2019	2020	2021[1, 2]
Total	**14,014**	**14,381**	**13,486**	**11,778**	**7,454**

1 These data include Mercedes-Benz Cars & Vans. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
2 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Waste by category (in 1,000 t)

GRI 306-3/-4/-5

	2017	2018	2019	2020	2021[1, 2]
Non-hazardous waste for disposal	82	40	28	13	**7**
Non-hazardous waste for recycling	239	318	303	251	**151**
Scrap metal for recycling	858	877	830	685	**433**
Hazardous waste for disposal	15	10	10	11	**8**
Hazardous waste for recycling	75	82	79	65	**51**
Total	**1,269**	**1,328**	**1,249**	**1,025**	**651**

1 These data include Mercedes-Benz Cars & Vans. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
2 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

SOCIAL

SOCIAL

People

Materiality and goals

GRI 103-1/-2

Target	Target horizon	Status as of 2021
Partnership with the employees		
Ensure permanently constructive cooperation between company and employee representative bodies.	Ongoing	
Ensure remuneration structures in line with market rates through compliance with our global Corporate Compensation Policy.	Ongoing	No significant violations are known
Further develop our leadership principles and culture in order to boost our agility, increase the pace of innovation and safeguard the stability of business operations.	Ongoing	
Support and enhance flexible and modern working-time arrangements in order to exploit the advantages of new forms of work. The focal topic this year is hybrid work.	Ongoing	Target achieved
Training and professional development		
Ensure the high quality of our training programmes.	Ongoing	
Empower more than 70 per cent of the employees to work successfully within the digital transformation[3]	2030	
Milestone: Empower 60–65 per cent of the employees to work successfully within the digital transformation[3]	2025	Target achieved
Enhance the culture of learning and introduce innovative types of instruction — implemented during the reporting year in a few pilot projects and test measures.	Ongoing	Target achieved
Increase the Group's attractiveness as an employer for digitally talented people: Top 5 in the target ranking[1]	2030	
Milestone: Top 7 in the target ranking[1]	2025	Target achieved: Top 6[2]
Diversity and equal opportunity		
Improve equal opportunity for all of the employees in this company, as measured by the agreement rate to the Inclusion Index[4]	2030	2030
Milestone: 70 per cent by agreement rate to the "Inclusion Index".	2025	Target achieved
Increase the proportion of women in leading management positions[5] (increase of one percentage point per year).	2021	Target achieved
Health and occupational safety		
Curb the spread of covid-19 and maintain business operations. – Ensure measures for health management and occupational safety are updated daily – Maintain existing medical services – Continue information campaign for covid-19 – Continue vaccination campaign for the protection of the employees	2021	Target achieved: effective measures taken
Ensure employees can work in a safe and healthy environment.	Ongoing	
Continue to promote the digitalisation of health management in line with current conditions.	Ongoing	In 2021, we offered additional digital prevention measures, including a new health app.

1 Ranking of goals in the Trendence study of college graduates in the field of IT (Germany)
2 Result relates to the former Daimler Group in Germany
3 Employee survey, agreement rate regarding their empowerment for the digital transformation
4 Employee survey, agreement rate regarding fair treatment regardless of ethnicity, gender, age, disability or other differences
5 Management Level 3 and above of the Mercedes-Benz Group worldwide (headcounts, fully consolidated companies)

The automotive industry is undergoing a fundamental transformation in a number of areas including electrification, digitalisation, automated driving, connected urban mobility and sustainability. Not only are the products of the Mercedes-Benz Group rapidly changing, this transformation is also causing changes within the company and for the workforce. It is thoroughly changing our value-creation and working processes as well as our job profiles.

We know that our employees are a key element of the Group's success. 172,425[1] employees throughout the world contribute to our company's development with their skills, ideas and motivation. That's why we want to treat our employees as partners.

In order to remain competitive over the long term, we enable our employees to develop further — professionally and personally. To this end, we are steadily enhancing our qualification offers, creating new job profiles and sharpening our requirements profiles. We are also fulfilling our duty of care for our employees, because we want to provide them with a healthy and safe working environment.

Throughout the Group, we promote a diverse and inclusive corporate and management culture. Particularly in challenging times, respectful and trusting cooperation between the workforce and management is called for. In this way, our employees can get involved and contribute to the successful transformation of our company.

1 Final value 31 December 2021, headcounts, workforce excluding temporary workers during holidays, interns, integrated master's degree students, trainees, senior experts and working students.

Partnership with the employees

Strategy and concepts

Organisation and management of human resources work

GRI 103-2

Human Resources (HR) is the "HR business partner"/"HR partner" of the Mercedes-Benz Group's business units. In addition, there are governance/cross-sectional units, e.g. for HR and labour policy, including Health & Safety, Talent & Learning and Human Resources IT Strategy.

As we move into an electric and digital future, we need a powerful Mercedes-Benz team for our transformation. The switch to electric mobility will change and shift tasks and job profiles. We want to shape this change for our employees in a responsible, socially acceptable and future-oriented manner. For us, the focus is on people. We are putting ourselves on a future-oriented footing and thus ensuring our competitiveness.

At the same time, we are continuously investing in the qualification of our employees and bringing new talents and experts on board. We are creating an attractive working environment for the people at Mercedes-Benz. As a diverse team, we are shaping our shared future with our daily actions on the basis of our cooperation principles. Our sustainable control instruments include 360° feedback and employee surveys for the improvement of our corporate culture. These instruments are supplemented by HR eData Manager Reports, which contain KPIs and detailed information on managers' respective areas of responsibility and are available to all managers via an intranet app.

Involvement of the workforce

GRI 103-2

We want to structure our decision-making processes in a manner that ensures transparency for our employees, and to enable them to participate in decision-making processes. In doing so, we respect our interests and get people actively involved in our company's affairs. We have established how we take on responsibility in our employee relationships in our policies and company agreements.

Entrenching our work and social standards

In 2002, Mercedes-Benz Group AG (then operating under the name DaimlerChrysler AG) issued its own Group-wide Principles of Social Responsibility, which are based on the International Labour Organization's (ILO) work and social standards. These principles were completely reworked and comprehensively extended in 2021 and republished as the Principles of Social Responsibility and Human Rights.

With the newly included regulatory fields, we are taking account of the fundamental transformation of the automotive industry and the associated rise in sustainability requirements. Several topics have been added, including "Protection of Local Communities and Indigenous Peoples", "Protection of Human Rights Defenders" and "Handling Artificial Intelligence". Another change is that we no longer address human rights and environmental issues separately, but in combination.

Moreover, we have refined the principles and rights concerning working conditions at the Group. This pertains, for example, to the topics "Health and Safety at Work", "Equal Opportunity and Non-Discrimination", "Education and Training" and "Collective Bargaining Rights".
↗ Obligation and mission

As early as 2006, the then Daimler AG set up the Business Practices Office (BPO) whistleblower system in order to fairly and appropriately investigate violations of legal and in-house regulations that pose a high risk for our company and employees. This system has been further developed in the meantime and remains in force. These regulations also include our aforementioned Principles. Notifications about suspicious cases are sent to the BPO, which examines them and conducts

an investigation if there is a high-risk case. Such cases include violations of anti-corruption, antitrust and anti-money-laundering laws, infringements of technical provisions, breaches of environmental regulations, and severe cases of discrimination and racism. With regard to those cases that are closed "with merit", the company decides on appropriate response measures in line with the principles of proportionality and fairness.
↗ The BPO whistleblower system

Furthermore, the Mercedes-Benz Group also recognises its social responsibilities and the ten principles on which the UN Global Compact (UNGC) is based. As a participant in the UNGC, we commit ourselves, among other things, to respecting key employee rights ranging from the provision of equal opportunities to the right to receive equal pay for equal work.

Remuneration systems

GRI 102-35/-36 GRI 405-2

The company remunerates work in accordance with the same principles at all Group companies around the world. Our global Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Among other things, it stipulates that the amount of the remuneration is determined on the basis of the requirements of each employee's tasks (taking into account factors including the person's knowledge, expertise, responsibilities and decision-making authority, for example) and in some cases their performance. Gender, ethnicity or other personal attributes have no bearing whatsoever on salary decisions. The auditing department conducts random annual internal audits to determine whether selected aspects of the policy are complied with. In our desire to offer salaries and benefits that are customary in the industry and the respective markets, we also give consideration to local market conditions.

The management's variable remuneration (the company bonus) for Levels 1–3 and for Level 4 executives is based not only on financial targets but also on transformation goals and non-financial targets. The transformation component of the company bonus for 2021 contained CO_2 targets, for example. Additional remuneration-related non-financial targets pertained, among other things, to integrity and diversity.

Our HR departments regularly conduct income review talks for employees and managers. This ensures salary decision-making transparency and compliance with all data protection regulations. The discussions also address employee development potential.

Employees who are not satisfied with their remuneration can speak to their manager. If the employee and the manager fail to resolve the issue, the responsible human resources unit or works council can be brought in.

In companies subject to collective bargaining agreements, such as Mercedes-Benz Group AG, the agreements that have been reached grant employees additional rights, including the right to object to their placement in a specific salary group or to the results of their performance assessment.

Further development of the management culture

GRI 404-3

The company believes that the interplay of strategy and corporate culture offers a key competitive advantage. We therefore work constantly to improve our management culture and the way we cooperate.

The initiative Leadership 2020, which was launched at the Group in 2016, laid the basis for our future success. Working groups with a diverse composition of employees and managers agreed with the Board of Management on what we understand by good leadership (leadership principles) and which structural changes and tools we need in order to transform the way we work (Game Changers). Since 2020, we have been using these agreements as a basis for Leadership 20X, which has provided an additional impetus to the reorganisation of our corporate structure. In doing so, we are focussing on the empowerment and mutual networking of the employees and managers during the transformation process. In this way, we enable a close interplay between strategy and corporate culture. The units can use our shared basis of the leadership principles to focus on specific areas and develop their own measures.

The resulting framework, within which we want to change the culture at our company, is an integral part of our processes for human resources development and decision-making, as well as our organisational structures

and work methods and tools. We intend to continue with this work even though the initiative Leadership 20X concluded in 2021. The leadership principles have been incorporated as general principles of cooperation — People Principles — into our processes for rules and culture and are now considered as a basis for our human resources strategy. To this end, we have established eight leadership principles as a shared guideline for all of the employees of the Mercedes-Benz Group: Pioneering Spirit, Agility, Purpose, Empowerment, Customer Orientation, Co-Creation, Learning and "Driven to Win". These principles serve as the basis for our cooperation and are intended to help to make the company even faster, more effective and more flexible as well as boosting its innovative potential.

Handling of covid-19
Since the beginning of 2020, the covid-19 pandemic has posed great challenges for governments, society and the economy. Against the background of the company's established anti-pandemic protection measures, the Group has repeatedly been faced with many unforeseeable developments and has quickly responded to them at the national and international levels. Our employees' health and safety have top priority. As early as April 2020, the company took extensive precautions to prevent infection and agreed with the General Works Council on a comprehensive package of measures that were then implemented. These measures include hygiene and cleaning standards as well as rules for individual behaviour in the workplace. These rules still apply.

The framework for this is provided by the German government's stipulations and requirements as well as those of the respective state governments and authorities.

During the reporting year we focussed our company measures on safety and hygiene rules for people who had to continue to work at our facilities, especially employees in the production and logistics areas.

Since the spring of 2020, our employees have been working from home wherever their jobs permit in order to further limit the risk of infection. A company agreement on mobile working has been agreed with the General Works Council since 2009. This agreement was expanded in 2016. Since then, all employees have had the right to work outside the office for up to 100 per cent of their job time if such a format is compatible with the task at hand.
↗ Working-time arrangements

The covid-19 pandemic has also impacted our procurement markets. Among other things, semiconductors were subject to supply bottlenecks worldwide. The automotive industry was affected by this as well. This forced the Mercedes-Benz Group to interrupt production at several locations. We applied for short-time work for our employees wherever it was appropriate and possible.
↗ Handling of covid-19

Measures

Dialogue with employee representative bodies
Corporate management and the employee representative body maintain an ongoing dialogue. The rights of our employees are defined, among other things, in various company(-wide) agreements, which address topics such as mobile working, family leave and home health care.

For example, employees at Mercedes-Benz Group AG (then named Daimler AG), Mercedes-Benz AG and Daimler Brand & IP Management GmbH & Co. KG have been given a job-security guarantee for the period until 2029. In addition to this agreement, corporate management and the employee representative body concluded a company-wide agreement in July 2020 that made it possible to reduce labour costs in the period until the end of December 2021. At that time, Daimler AG was the contracting party. The spin-off and hive-down of the Daimler commercial vehicles business does not affect the validity of the job-security guarantee until 2029. This agreement was concluded in response to the various challenges associated with both the transformation of the automotive industry and the covid-19 pandemic. The company-wide agreement applies among others to all employees at Mercedes-Benz Group AG, Mercedes-Benz AG, Daimler Brand & IP Management GmbH & Co. KG, and Daimler Gastronomie GmbH in Germany. The agreement, which went into effect on 1 October 2020 and remained valid until 31 December 2021, provided for reduced working hours with no wage

or salary compensation until the end of September 2021. Due to the positive economic development, the regulation for reduced working hours was terminated ahead of time on 1 April 2021. The Board of Management, the Supervisory Board and senior executives also did their part to help reduce costs.

In addition, the then Daimler AG, Mercedes-Benz AG and Daimler Brand & IP Management GmbH & Co. KG decided to enable all non-exempt employees in Germany to participate in the success of the 2020 financial year and signed a corresponding agreement with the General Works Council. This profit-sharing bonus was paid to the workforce in April 2021 as recognition for its extraordinary performance.

Within the context of the Strategy Dialogue, we have also agreed with the General Works Council on a qualification offensive. This is an important pillar for the successful transformation of our company, especially in the focus fields of digitalisation and electric mobility. This offensive builds on the already existing qualification initiatives and programmes and is being continued in both companies after the spin-off and hive-down of the Daimler commercial vehicle business into the Mercedes-Benz Group and Daimler Trucks.

At our German locations, the local organisations of youth and trainee representatives are addressing the needs of trainees and young employees in particular. The heads of these local organisations form the Gesamtjugend- und Auszubildendenvertretung (GJAV/ General Youth and Trainee Representation), which represents the interests of the young generation at our company, contributes ideas and provides momentum in its role as a co-determination body. We accomplish this in a dialogue between the GJAV and the specialist units, particularly HR.
↗ Organisation and areas of responsibility

Cooperation with trade unions

GRI 102-41 GRI 407-1

The Mercedes-Benz Group acknowledges its employees' right to form employee representative bodies and conduct collective bargaining in order to regulate working conditions. It also recognises their right to strike in accordance with the applicable laws. We work together intensively with the employee representative bodies and the trade unions so that they can exercise this right. Important partners here include the local works councils, the European Works Council and the World Employee Committee (WEC). Collective bargaining agreements exist for the majority of our employees throughout the Group. Such agreements apply to all employees subject to collective bargaining agreements at Mercedes-Benz Group AG, Mercedes-Benz AG and other units at the Group. In jointly constituted committees, we regularly inform the employee representatives about the economic situation and all of the key changes at the Group. We conclude agreements with the respective employee representative bodies concerning the effects that our decisions may have on the employees. In Germany, comprehensive regulations to this effect are contained in the Works Council Constitution Act. We notify our employees about far-reaching changes early on.

Transparent management and remuneration instruments

GRI 401-2 GRI 405-2

The Mercedes-Benz Group (previously named Daimler AG) has long supported its managers and employees in their tasks with standardised management tools. These tools help us to support cooperative working practices and to measure the results of our actions.

With the introduction of the remuneration framework agreement (ERA) in 2007, we also established a one-year standardised leadership process for non-production employees below Level 4 at Mercedes-Benz Group AG, Mercedes-Benz AG and Daimler Brand & IP Management GmbH & Co. KG in Germany. In the initial stage, managers and their employees agree on goals, targets and areas of focus for their work. Expectations regarding work performance and qualification measures can also be defined in this discussion. Further conversations take place in the middle of the year in order to determine how much progress has been made and, if necessary, formulate measures that can help support the employee in question throughout the rest of the year. Progress is then assessed again at the end of the year, as are the employee's work performance and development potential. All of these aspects are also discussed by the responsible management team. Finally the results are personally discussed with the respective employee by the manager. Agreements are also reached regarding the employee's further professional development.

A single regulation regarding performance-based remuneration applies to employees at Mercedes-Benz Mobility AG and Mercedes-Benz Bank AG (including their subsidiaries). In accordance with the remuneration group as defined in the supplemental collective bargaining agreement of 1999 for services, a target annual salary is contractually defined; this salary consists of a fixed (80 to 90 per cent) and a variable (10 to 20 per cent) component. Despite the existence of the variable component, the high proportion of the fixed component ensures sufficient financial planning security. The collective agreement also regulates other remuneration components. A performance assessment/target achievement process (PA/TA process) is conducted each year to evaluate the employee's performance and target achievement. Employees below Level 3 define individual goals and targets with their respective managers at the beginning of each year. During an interim review discussion and a final discussion at the end of the year, managers and employees then determine the extent to which the goals and targets have been achieved. This procedure promotes transparent communication between the manager and employees in a manner that is appropriate for the subject. The PA/TA process helps managers and employees formulate reasonable goals and targets that both can accept. It also increases transparency and thus acceptance of the remuneration system.

The remuneration guidelines and tables for employees paid according to collective bargaining wage tariffs, for example at Mercedes-Benz Group AG, can be viewed on the intranet. Employees of Mercedes-Benz Group AG and Mercedes-Benz AG can find out online about the composition and amount of their remuneration — including in comparison to comparable groups.

Employees at Mercedes-Benz Group AG and its subsidiaries who are subject to a collective bargaining agreement are usually also offered voluntary benefits that are agreed upon with the respective employee representative bodies. These benefits include employer-funded contributions to retirement benefits and options for the employee-funded retirement benefits system. In many cases, employees who are subject to collective bargaining agreements can also participate in profit-sharing arrangements at their respective company. In addition, our employees can avail themselves of the services of a wide variety of sports facilities and fitness centres — as well as social amenities ranging from kindergartens to counselling services.

New management culture

GRI 404-3

The Mercedes-Benz Group is undergoing a transformation that applies to products as well as to the organisation and the employees. In addition to a technical and a strategic change, a cultural change is required to ensure that this transformation is successful over the long term. The leadership requirements have changed in particular. That's why our leadership principles are key elements in our HR processes. We take them into account in order to enable managers to perform their important roles in the company's cultural and strategic transformation. Our leadership principles also serve as the basis for our global network, whose members should act as role models that promote the changes in their respective areas and put them into practice. This network consists of experts and volunteers, some of whom were previously active in the Leadership 2020 initiative, and who are now helping their colleagues and managers tackle the current change processes. To do this, they are developing specific formats and initiatives for the various corporate units in order to support the Group's realignment and jointly promote its cultural and strategic transformation.

In addition, we have created hybrid teams incorporating extensive cross-sectional expertise. These teams support managers at the Mercedes-Benz Group as they manage transformation processes by means of repeated bursts of momentum and blueprints for successful team discussions. One focus is on communicating leadership skills in hybrid working environments. Among other things, the focus is on the use of digital tools and the topic of work-life balance. Another focus is on peer-to-peer communication within small groups. Since the start of the covid-19 pandemic, we have increasingly created virtual dialogue formats for managers to address the strategic alignment. This lets the participants directly communicate with Board of Management members and find guidance for their challenges as managers. The formats are targeted at managers at different levels and are sometimes planned over the long term or created on the spot.

Moreover, we have created a human resources development tool for our managers. This online tool is available

to all executives and Level 4 management staff. Among other things, the tool includes a 360° feedback process, in which supervisors, employees and selected colleagues provide the manager with feedback. The assessment is based on the leadership principles and should help managers refine their leadership behaviour and improve their performance.

This personnel development tool also contains other features such as a controlling tool for defining and monitoring work priorities. In addition, it helps managers and employees define, modify and monitor specific contributions and metrics associated with the implementation of unit strategies.

The new hybrid world of work poses different challenges for our leadership culture. We offer our managers in-class and virtual training courses about the opportunities and framework conditions of leadership in order to ensure a type of leadership that is in tune with the times.

Working-time arrangements

GRI 401-3

The experiences of Mercedes-Benz Group AG during the pandemic have shown that increasing digitalisation and hybrid working are having a positive effect on the work-life balance. This is enabling people to arrange their working hours more flexibly — under consideration of their specific needs as well. This in turn is helping to enhance the performance and satisfaction of the employees at Mercedes-Benz Group AG. For this reason, we support managers and employees with a wide range of flexible working options that make it easier for them to balance their work with their personal lives in the most effective manner possible.

In team meetings and surveys, our employees have also informed us that direct communication with one another is important for their well-being as well as for good work results. We want to combine the benefits of both working models — at the workplace and mobile work — and are therefore encouraging hybrid working. This means that different forms of work are possible — from attendance exclusively at the workplace to 100 per cent mobile work. The company does not impose any specific requirements in this respect, but instead provides the corresponding framework conditions in the form of a comprehensive company-wide agreement on mobile work that has been in force since 2016. Moreover, we hold continuous consultations with the works council on this matter.

The Mercedes-Benz Group also offers a variety of part-time working arrangements — for example, employees can reduce their working hours and spread their daily, weekly or monthly hours over a period of one to five days or in blocked part-time work — a combination of full-time work and leave time.

We also promote job sharing for employees at all levels who wish to share a task or position while working part-time. This is especially helpful for employees with challenging home situations who wish to balance their professional and private lives more effectively and continue to develop professionally by sharing a job. We are convinced that a tandem job share with two people uniting their mixture of experience, strengths and networks brings better results with regard to complex professional and/or management tasks. Three internal part-time work communities were set up in 2015 in order to facilitate the search for a tandem partner. These communities bring together potential tandem partners, no matter whether they are in administration and production units or in leadership positions. We also organise events that offer those interested in job sharing the opportunity to get to know each other and exchange information and ideas. There were 199 tandem job shares at the management level of Mercedes-Benz Group AG in the reporting year.

Employees can also make arrangements with the company to take a sabbatical lasting between three months and a year, with a reinstatement guarantee.

Employees who wish to obtain additional qualifications — including pursuing a course of study at a university — can also make arrangements with the company to take a three- to five-year leave with guaranteed reinstatement.

Balancing professional and private life

Mercedes-Benz Group AG offers various types of working-time arrangements and other options to support employees who have children or relatives they need to care for. For example, we provide more than 540 slots for our employees' children at the company-run

kindergartens in Germany. We can also arrange over 170 additional childcare opportunities at various locations in Germany. Moreover, we cooperate with various counselling centres.

The Mercedes-Benz Group also implements measures that make it easier for its employees in Germany to get back to work after taking parental or family leave. For example, our employees can stay abreast of events at the Group during parental and family leave via the intranet and also access the internal job exchanges. We also support mothers and fathers by using checklists during the transition to parental leave and by helping them maintain contact. In addition, there are regular information events and experience-sharing opportunities for expectant parents and employees on parental leave. These events were held exclusively online in 2021 due to the covid-19 pandemic.

Specially trained personnel are also available in the HR Service Center to answer questions related to parental and family leave for employees at Mercedes-Benz Group AG, Mercedes-Benz AG, the Mercedes-Benz Bank and Mercedes-Benz Mobility AG. In 2021, 4,017 employees at Mercedes-Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Mobility AG and Mercedes-Benz Bank AG were on parental leave; 72.7 per cent of them were men.

Furthermore, the Mercedes-Benz Group expanded its cooperation with an external counselling service for employees who care for relatives in Germany. Here, employees can obtain advice about caregiving by phone or in person — 24/7 and 365 days a year. The external care provider also offers consultation at employees' homes. Employees made particularly frequent use of this service during the reporting year.

Our company health insurance fund regularly offers consultation on this topic at its locations in Germany. Due to the covid-19 pandemic, this consultation was provided in the form of private online sessions or house calls during the reporting period.

We have held several online events as well on issues related to authorising power of attorney, financing and other care topics that are important today. These events were very well received by our employees. Employees who would like to take care of a family member or relative can leave the company for a period of time beyond that defined by legal provisions — for up to four years with guaranteed reinstatement. Alternatively, they can reduce their working hours for the same period of time.

Effectiveness and results

GRI 103-3

The Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees and what we can do to improve the company in the future. We generally carry out the survey at least every two years. However, the covid-19 pandemic caused the 2020 employee survey to be pushed back to 2021 and to be carried out during the reporting year. Mercedes-Benz Mobility AG and Mercedes-Benz Bank AG and their subsidiaries also conduct an employee survey every two years in line with the guidelines defined by the Great Place to Work Institute. These surveys ensure that the companies receive extensive feedback from their employees, which helps the companies to continuously improve their management and corporate culture and further develop their work culture within the framework of the transformation process.

We also use our annual Sustainability Dialogue to obtain feedback from our stakeholders in various areas, such as business, associations and the scientific community. These dialogue events feature various working groups in which we address current and future issues related to sustainability. The 14th Sustainability Dialogue was held in mid-November 2021. Here, the "Employees & Integrity" working group focussed on how Artificial Intelligence can help people make sustainable and responsible decisions. The results of the Sustainability Dialogue, which was held digitally during the reporting year, are incorporated into other activities related to integrity and human resources.

Results

GRI 404-3

The covid-19 pandemic and the transformation of the economy have created challenging tasks for many companies in 2021 as well. They have also revealed the importance of a constructive partnership between the workforce and the management as well as between the company and the employee representative bodies, because this is the only way that viable solutions can

be found. For example, during the reporting year the company together with the employee representative body once again managed to reach long-term agreements and anchor them in company agreements. Among other things, we agreed on a qualification offensive and on joint efforts to address the tense economic situation associated with the pandemic.

As a member of the UN Global Compact, the company has committed itself to the ten principles of the Compact. As a result, we commit ourselves, among other things, to the right to equal pay for equal work. The framework for this is provided by our global Corporate Compensation Policy. No violations of this policy were reported in 2021.

During the reporting period, an external party honoured us for our commitment to leadership measures. Specifically, the international EFMD Excellence in Practice Award 2021 was presented to us in Gold for our comprehensive manager qualification programme Leading Transformation. This award, presented by the European Foundation for Management Development (EFMD), recognises outstanding achievements in the domains of Leadership, Professional, Talent and Organisational Development. Moreover, the team that bears central responsibility for manager development at the company came in second for the St. Gallen Leadership Award 2021 with its Leading Transformation initiative.

The sustained impact of the Leading Transformation initiative, which was launched in 2020, was also apparent during the reporting year. The specialist units continue to request the colleagues from the moderator and support network for their events. The content and formats are used for unit-specific events. The survey of the employees of the Mercedes-Benz Group in 2021 showed that 74 per cent[1] of them are proud to work for the Mercedes-Benz Group and that they are satisfied or very satisfied with the company as an employer. The next Group-wide employee survey is scheduled to be held for the Mercedes Benz Group in 2023.

Our employees' loyalty to the company is also expressed by the high average amount of time they have worked for the Group. During the reporting year, it amounted to 17 years. In Germany, employees had worked for the company for an average of 20 years at the end of 2021. Employees outside Germany had worked for the Group for an average of ten years. In 2021, our labour turnover rate amounted to 8.7 per cent worldwide.

1 Approximate value, as the structure at the time of the survey did not correspond 100% with the structure at the end of the year.

Employee turnover rate (in %)

GRI 401-1

	2017	2018	2019	2020	2021[2, 3, 4]
Europe[1]			4.6	5.0	**7.5**
– thereof Germany	3.4	3.7	3.5	4.5	**7.2**
NAFTA[1]			12.7	8.9	**13.9**
Asia[1]			7.9	6.4	**11.0**
Rest of world	7.5	5.5	5.7	7.8	**9.1**
Total	**5.1**	**4.9**	**6.0**	**5.8**	**8.7**

1 New report starting point (no previous year's data)
2 These data are only for the Mercedes-Benz Group. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 Until the end of November including Daimler Trucks & Buses
4 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Employees eligible for parental leave[1]

GRI 401-3

	2017	2018	2019	2020	2021[2,3]
Men	117,800	118,025	117,375	117,189	**88,605**
Women	20,928	21,814	22,074	22,989	**18,094**
Total	**138,728**	**139,839**	**139,449**	**140,178**	**106,699**

1 Mercedes-Benz Group AG, Mercedes-Benz, Mercedes-Benz Mobility AG and Mercedes-Benz Bank AG
2 The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Employees on parental leave[1,4]

GRI 401-3

	2017	2018	2019	2020	2021[2,3]
Men	3,130	3,192	3,733	3,756	**2,922**
Women	823	685	1,050	1,206	**1,095**
Total	**3,953**	**3,877**	**4,783**	**4,962**	**4,017**

1 Mercedes-Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Mobility AG and Mercedes-Benz Bank AG
2 The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.
4 Return rate 99.9%

Training and professional development

Strategy and concepts

Influence of the transformation on employees

GRI 103-1

The knowledge and skills of our employees are the foundation of our company's worldwide success. That's why we aim to invest extensively in their training and professional development and work to enhance our HR development programmes. We are also expanding the range of professions in which we offer training in Germany and increasing the number of programmes in our dual work-study system at German universities accordingly.

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 company, 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 programmes for new forms and types of work.

From the Board of Management to our training and qualification units and the trainers at the plant level, we pursue the goal of safeguarding our competitiveness throughout the company.

Organisation and areas of responsibility

GRI 103-2

For example, Mercedes-Benz Group AG, Mercedes-Benz AG and Daimler Brand & IP Management GmbH & Co. KG in Germany structure the training and qualification processes with an overall system of rules and regulations.

The company-wide agreement on qualification is one of the instruments used to regulate professional training at Mercedes-Benz Group AG, Mercedes-Benz AG and other subsidiaries located in Germany. We reached this agreement in cooperation with our employee organisations. The agreement strengthens the joint responsibility of managers and employees for qualification and thus the competitiveness of our company. In addition, it serves to further standardise the qualification process and structure it more efficiently. Finally, the agreement regulates collaboration with the Works Council on the main aspects of qualification and defines the process for the needs-based planning of qualification measures.

With regard to the permanent employees, the company-wide agreements aim to reinforce and further develop their personal qualifications and to provide all employees with additional qualifications in their specialised fields and/or in terms of their leadership skills. In addition, the agreement expresses the expectation that our employees will take on an active role in the qualification process and develop new professional prospects independently. Furthermore, the agreement stipulates that an annual qualification discussion should be held by each employee with his or her supervisor in which both parties agree on the next qualification steps. Overarching qualification focal points are agreed on annually at the location level between the corporate management and the Works Council. These focal points are oriented to the production programme of the respective location, among other factors.

Throughout the covid-19 pandemic, we have extensively digitalised our multidisciplinary qualification programmes in Germany, as well as the specialised measures offered around the world by administrative departments (e.g. Human Resources, IT, Finance and Controlling, and Procurement). We have defined the strategic focal points "New ways of working", "Digitalisation", "Transformation" and "Innovation" for our multidisciplinary programmes in Germany.

An agreement on a qualification offensive was concluded with the General Works Council for Mercedes-Benz

Group AG, Mercedes-Benz AG, Daimler Brand & IP Management GmbH & Co. KG and Daimler Gastronomie GmbH. The agreement is intended to support the transformation of our company in the areas of digitalisation and electric mobility and represents an expansion of our existing qualification initiatives and programmes. Through the qualification offensive we networked our qualification measures across all divisions in order to create the widest possible range of learning opportunities for 2021. In the process, we separately took the varying framework conditions and development cycles of the divisions into account. The qualification offensive is part of the strategy dialogue with the General Works Council and will be continued by both companies after the Group's split into two companies.

Strategic human resources planning

How will our workforce develop over the next ten years? Which key qualifications and skills will we need in the future in order to successfully complete the transformation and assist the "conversion" of our organisation? These are important questions that we are addressing with the help of the Strategic Resource Management system at Mercedes-Benz AG.

The Strategic Resource Management programme has been integrated into the newly founded TechAcademy Mercedes Benz Cars Operations[1] since February 2021. We use it to develop and implement target group-appropriate and future-oriented qualification measures for key technologies for all locations of Mercedes Benz Cars Operations worldwide. In this process we take into account the changing personnel needs of the various locations. Our holistic approach begins with a needs analysis regarding current and future requirements and ends with the implementation of the qualification measures.

Strategic Resource Management is a methodology for observing quantitative and qualitative aspects of workforce development at the various locations. Here we take into account the effects of a variety of strategic changes such as digitalisation and electric mobility. We collect quantitative data using a digital simulation tool. With the help of qualitative processes, we analyse skills that are strategically relevant and necessary for the transformation. Here we compare specialist, methodological and social skills with future requirements. This is how we identify training needs in qualification areas that will be relevant in the future, for example.

This approach helps us identify potential quantitative and qualitative bottlenecks in specialist units early on. On this basis we aim to develop appropriate measures and to qualify staff surpluses in other units to match these bottleneck profiles in good time. Strategic Resource Management thus provides guidance and support for the transformation of the workforce and ensures that we have the qualifications we will need in the future in good time.

We used this method to identify the focus groups of production engineers and maintenance specialists for Mercedes-Benz Cars Operations[1], for example. We discovered that these groups needed training in the areas of data analysis, predictive maintenance and electricity/electronics, among others. To meet these needs, we developed and introduced new practice-oriented qualification programmes that were tailored to these target groups.

Using temporary employment contracts to help ensure additional flexibility

Our cooperation with external service providers and temporary-employment agencies is an important strategic instrument for quantitative HR planning. Our use of temporary workers enables us to react more effectively to fluctuating production requirements and market conditions.

We have concluded agreements that enable us to flexibly adapt our workforce strength. The provisions of the company agreements "Safeguarding the Future of Daimler" and "DMove" have been extended until the end of 2024 for the Mercedes-Benz Group AG and Mercedes-Benz AG locations in Germany. In our concept, temporary workers supplement the permanent workforce; they do not replace it. Because temporary employment contracts enable us to react flexibly to market fluctuations, they make it possible for us to keep our permanent employees working at the company.

1 Mercedes-Benz Cars Operations = Production & Supply Chain Mercedes-Benz Cars

Measures

New professional requirements resulting from the digital transformation

The digital transformation in the company is changing the requirements profiles of many jobs and making it necessary for staff in many positions to gain new expertise. Here we are relying on a wide range of needs-based qualification measures for our employees, as well as the targeted recruitment of talented jobseekers with digital expertise. We are also expanding the range of professions in which we offer training and are increasing the number of dual work-study programmes offered at universities in Germany accordingly. We are also developing a management culture and organisation that are geared toward the digital transformation, and we are supporting this transformation by offering qualification measures for the entire workforce. During the reporting year, our professional development activities focussed once again on IT skills and professions as well as high-voltage and battery technology. We also continued to expand our range of digital learning formats and introduced a new online platform designed especially for managers.

One example of such a digital learning format is the Digital Readiness Programme, which focusses on the transformation and on methodological, technical and cultural aspects of digitalisation.

Another example is the “Tech Academy” in the area of research and development, which offers numerous future-oriented qualification programmes for employees. The focus here is on a competitive qualification portfolio for the enhancement of electric/electronic (EE) skills, with an emphasis on software and hardware. Many of these programmes are also available in online formats.

Trainees and students

GRI 404-1/-2

During the reporting year about 1,300 trainees and participants of dual work-study programmes began their vocational training at the Mercedes-Benz Group in Germany.

We have standardised the content of our training programmes in Germany across all locations and divisions in our training system. Current relevance, user-friendliness and possible cases of duplication are checked regularly by a dedicated committee. Our goal here is to ensure the high quality and efficiency of our training programmes.

The company also offers dual work-study programmes for internationally recognised bachelor courses of study at various Group locations throughout Germany. The lectures are supplemented by practice-related assignments in Germany and abroad. Because of covid-19, there were no assignments outside Germany in 2021.

Our training programmes are fundamentally needs-based, and we continuously review our portfolio of training professions and courses of study in Germany. In this review process we are not only reacting to current developments but also anticipating future requirements and technological innovations. For example, we have analysed our training programmes for IT professions and expanded them to include digital professions for IT in the industrial area, and we have also introduced a course of study that focusses on the interface between IT and electrical engineering (embedded systems). This also involves the design and launch of new internal qualification components for our trainees that address topics such as cybersecurity, programming and data-based decision-making. These components also include extensive qualification programmes for the trainers themselves.

Development dialogue

In 2019 Mercedes-Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Bank AG and Mercedes Benz Mobility AG introduced the digital feedback programme known as “Development Dialogue” for their trainees and dual work-study programme participants in all plants and offices in Germany. This mutual feedback enables the young professionals as well as their trainers to continue their personal development.

Dealing with new technologies

Mercedes-Benz AG enables its trainees and employees to learn about new technologies, for example. We have set up special “Innovation Areas” and “Future Workshops” at our training centres. These spaces are equipped with new technologies such as 3D printers, virtual painting and welding facilities, and augmented-reality and virtual-reality headsets. Here our

employees and trainees can get to know these future-oriented technologies and apply them in practice.

During the reporting period we paid special attention to the technologies that are currently shaping the transformation in the automotive industry. For example, we designed learning content focussing on the topic of high-voltage systems in cooperation with trainees at the Mercedes-Benz locations in Sindelfingen and Stuttgart-Untertürkheim. Physical learning media with digital learning content were used here. We also worked increasingly with learning methods such as gamification, peer-to-peer learning and interactive digital learning platforms. These methods were also specially developed and tested in the Innovation Areas.

Customised career paths

GRI 404-1/-2

The Mercedes-Benz Group promotes and supports the professional and personal development of its employees. We make sure that our people have the right skills and the means to continuously improve them, and in this manner we ensure that our employees remain effective and employable over the long term in a changing environment — and that they never lose their innovative capability.

Empowering employees for leadership tasks

The qualification programmes for managers at the Group teach a wide variety of skills in the areas of leadership, agile work methods and the digital transformation. Courses are available to all management personnel worldwide starting at the Team Leader level. New managers receive especially extensive support during the first 365 days after their appointment. The team leader development programme also makes it possible for employees to take on management tasks at the Master Craftsman level — for example, in the production units of the Mercedes-Benz Group. This programme focusses in particular on skills such as pioneering spirit, interpretation, flexibility and digital skills. Because of new requirements generated by the transformation — in the area of digitalisation, for example — the programme was completely restructured in the course of the reporting year. We initially introduced the relaunched team leader development programme at the production units of the Mercedes-Benz Group in Germany in 2021.

International talent training programmes

INspire is the name of a series of international talent training programmes launched in 2018 that optimally prepare young professionals for their careers at today's Mercedes-Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Bank AG and Mercedes-Benz Mobility AG. Depending on their wishes and skills, the trainees can pursue a career in a specialised field or as a manager. We have hired 91 highly talented individuals since the INspire programmes were launched; 40 per cent are women and 27 per cent of all talents hired come from outside Germany. INspire replaced the previous CAReer training programme in 2018.

Study while working with the Mercedes Academic Programmes

Mercedes Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Bank AG and Mercedes-Benz Mobility AG set great store by the continued individual academic education of their specialised workers and managers. That's why we offer the Mercedes Academic Programmes and other programmes at all Group companies in Germany. These programmes offer employees who have been at the company for at least one year the opportunity to study while they continue to work — regardless of their age or their professional development until that point. We provide such employees with financial support and an accompanying programme. Our focus in 2021 was on courses of study that support the transformation of the Mercedes-Benz Group.

Recruiting and retaining talented young people

The function of the Human Resources Development unit of the Mercedes-Benz Group is to recruit and retain highly qualified employees for challenging work responsibilities. Our Global Employer Branding provides the basis for making talented new jobseekers aware of our company and recruiting them. Our career website and our social media channels ("@mercedesbenzcareers" on Facebook and Instagram) support all of the activities in the area of employer branding.

We utilise an "always on" approach for online marketing in order to remain permanently visible to our target groups. With the help of a variety of advertising materials such as our "In for Change" image film, our "People of Change" series of employee profiles and online banners, we aim to increase various target groups' awareness of

the Mercedes-Benz Group as an attractive employer and to make ourselves better known in general.

Alongside these advertising measures, we also consider it especially important to interact with interested jobseekers in person, for example at national and international career fairs and recruiting events conducted by our specialised units both online and on site. Due to the covid-19 pandemic, it was not possible for us to stage or participate in physical events in the normal way in the year under review. We therefore made greater use of digital formats, and because of their success we will continue to use these formats in the future.

During the reporting year the Mercedes-Benz Group placed particular emphasis on the recruitment of IT and software experts for our future Mercedes-Benz Operating System (MB.OS). This system, which was largely developed in-house, is a data-supported and flexibly updatable software and hardware architecture. We aim to use this system to intelligently connect the vehicle with the cloud and with the Internet of Things (IoT). We expect MB.OS to be finished and installed in Mercedes-Benz vehicles in 2024. In a special area of our career website we offer talented jobseekers from the world of IT who are interested in this area all the important content and information about MB.OS — for example, interviews with our software experts, who provide insights into their work and various theme areas, as well as current job offers at the "Sindelfingen campus". In order to reach software experts in a targeted way, we launched a social media campaign in Germany called "Next Big Thing", which could be viewed from September to November on the Instagram, Facebook, LinkedIn and YouTube platforms.

Throughout the entire reporting year we received a continuous stream of well-qualified job applications for the MB.OS positions.

Moreover, in 2021 we agreed with the Works Council — with the approval of the bargaining parties — on a new set of conditions for new employees in the area of MB.OS at the Sindelfingen location. These conditions are specially tailored to the needs and requirements of these software engineers. The focus is on more flexibility and individual responsibility in the structuring of working times and an even more strongly performance-oriented remuneration system. Employees who are already working in the area of MB.OS have been able to switch to the new system since January 2022.

Commitment to school education
The Germany-wide STEM educational initiative "Genius — The young knowledge community from Mercedes-Benz" was founded ten years ago. Genius conducts workshops to get children and teenagers enthusiastic about technology at an early age. Among other things, the initiative offers them the opportunity to serve as reporters at our facilities and publish stories about suitable topics. In 2021, the young reporters covered the topic of sustainable mobility in several reports.

Through the Genius initiative we also emphasise our social commitment to school education. Genius also provides teachers with practice-oriented digital instruction materials and organises further education measures for teachers in Germany. These courses address topics related to the future of mobility. Our employees serve as Genius ambassadors in these courses and in technology workshops at our locations.

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

In order to assess the effectiveness and success of a qualification measure, the Mercedes-Benz Group analyses the extent to which the employees have been able to transfer the skills they have learned to the specific tasks and activities performed by the participant in question. One assessment method is the annual qualification discussions between managers and their employees. For these analyses, we also use the talks between the Human Resources units and the specialist units about strategic qualification requirements.

In addition, at the end of a qualification measure the participants can provide feedback on their experience using a standardised survey. We use the survey results to assess the effectiveness of the measures and adapt their content or didactic approach as necessary.

We also collect data on the number of days employees spend participating in qualification programmes.

This indicator enables us to make quantitative statements about both mandatory and voluntary qualification measures. In order to also be able to draw qualitative conclusions about our qualification measures, we use the results of our employee survey. This enables us to assess their success and effectiveness. Through these measures we expect to draw reliable conclusions that we can use to assess and adjust our management approach.

Results

The Mercedes-Benz Group aims to ensure that its training programmes are up to date and thus of high quality. That's why we have redefined the portfolio of professions for our training programmes and for the Dual University for the period until 2025. We have adapted the professions, the courses of study and the recruitment figures.

In addition to using the previously mentioned indicators about the qualification days, we try to arrive at conclusions about qualification topics with the help of our employee survey. During the reporting year the majority of the employees of the Mercedes-Benz Group replied "Yes" to the question of whether their work environment is helping them to acquire or enhance the skills they need for the digital transformation. This leads us to conclude that we are basically moving in the right direction. We want to continue expanding our activities in this area in the future and to promote the skills that are necessary for the transformation.

In 2020 we launched a programme known as "Leading Transformation" that was specially designed for managers around the globe. Over a period of four months, the programme's participants examined the challenges the transformation presents to our Group and to their own areas of responsibility. During the reporting year, we launched an additional programme component that supports managers with issues relating to the transformation and innovation in their units and teams.

In 2021 we also successfully introduced a new online learning library that is available worldwide. The library enables employees to use videos and podcasts they choose according to their individual work topics at any time as part of their self-directed learning process. By means of the online learning library, we have complemented our existing portfolio with interactive and needs-specific learning offers and enabled our employees to receive individualised advanced training.

The study conducted by the Trendence Institute provides an important external indicator for measuring our attractiveness as an employer for digitally talented jobseekers. Our interim goal was to be listed among the Top 7 favourite employers by 2025 and subsequently to maintain this position. We already exceeded this goal when we (in Germany, as the former Daimler Group) were listed in sixth place during the reporting year.

Qualification measures, training and professional development (full-time and part-time employees)

GRI 401-1

	2017	2018	2019	2020[4]	2021[4,5,6]
Training and continuing education costs (in € m)[1]	114	124	129	112	**93**
Investments in employee qualification (in € m)[2]	121	123	114	80	**62**
Qualification days per male employee per year[3]	3.0	3.2	2.7	1.7	**1.6**
Qualification days per female employee per year[3]	3.5	3.7	3.1	1.9	**1.2**
Qualification hours per employee per year	21.0	22.0	18.9	11.9	**11.2**

1 Mercedes-Benz Group Germany
2 Mercedes-Benz Group AG and Mercedes-Benz AG
3 Note: Because we are increasingly using learning formats that are integrated into the work process, the number of qualification days doesn't necessarily correspond to the actual amount of qualification received.
4 Decrease due to the covid-19 pandemic (combined with lockdowns and short-time work at our sites as well as decimated on-site qualifications).
5 The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
6 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

People starting their careers[1]

	2017	2018	2019	2020	2021[2,3]
Trainees	1,726	1,729	1,750	1,616	**1,164**
Dual University	218	214	225	218	**135**
Total number of people starting their careers	**1,944**	**1,943**	**1,975**	1,834	**1,299**

1 Mercedes-Benz Group Germany
2 The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Diversity and equal opportunity

Strategy and concepts

Diversity as a success factor

GRI 103-1

Our workforce is as diverse as our customers, and we are convinced that diversity makes us more successful as a company. That's because diversity helps us to find new viewpoints and acts as a driving force behind creative ideas and innovations. We employ appropriate measures and activities to promote a working environment in which all of our employees can develop and make full use of their talents — regardless of their age, gender, sexual orientation or any other characteristic that relates to diversity. The Mercedes-Benz Group stands for open-minded cooperation in which there is no place for discrimination. This is embedded, for example, in our Integrity Code and the Principles of Social Responsibility and Human Rights. For us, inclusion means dealing with the diversity of our employees consciously, inclusively and appreciatively. Our diversity & inclusion management approach is grounded in the principle of equal opportunity for all employees.

Diversity and inclusion: Three areas of action

GRI 103-2 GRI 405-1

Diversity and inclusion are parts of the sustainable business strategy of the Mercedes-Benz Group. The three areas of action "Best mix", "Work culture" and "Customer access" form the foundation of a corporate culture shaped by diversity.

Diversity compass of the Mercedes-Benz Group

Diversity and inclusion in three areas of action:

Best mix
Putting together the best teams — that offer equal opportunities and are free of discrimination

Work culture
Creating a supportive and inclusive working environment

Customer access
Understanding, appreciating, and reaching customers as individuals

Best mix: We rely on mixed teams

The Mercedes-Benz Group is convinced that diverse perspectives make us more successful. For this reason, we seek to bring together different kinds of people in mixed teams in a manner that offers equal opportunities and ensures an environment free of discrimination. This approach enables us to optimally overcome the challenges we face in our daily business activities. Our goal is to attract the most highly qualified specialists and managers to our company and support their professional development, regardless of their age, ethnicity, gender, sexual orientation and identity or any physical limitations they may have.

As early as 2006, the Mercedes-Benz Group set itself the goal of continually increasing the share of women in senior management positions. In 2006, we signed a

company-wide agreement regarding the advancement of women that applies to Mercedes-Benz Group AG, Mercedes-Benz AG and the Daimler Brand & IP Management GmbH & Co. KG. This agreement includes a commitment to continue increasing the share of women in the total workforce, in vocational training and in Level 4 and 5 management positions.

No targets for the share of women have been set for the level of administrators at Mercedes-Benz Mobility AG or Mercedes-Benz Bank AG and their subsidiaries, because men and women are more or less equally represented in those positions at these companies. This roughly equal gender representation also applies in the case of trainees and student-trainees.

Diversity concepts in the Board of Management and the Supervisory Board are presented in detail in the Annual Report of the Mercedes-Benz Group.
Corporate Governance Statement, AR 2021

Work culture: Creating an inclusive working environment

The Mercedes-Benz Group aims to create a working environment that motivates our employees and is characterised by equality of opportunity and a spirit of respect. We promote diversity and inclusion by conducting awareness-raising and qualification programmes for the workforce. We also offer other programmes and measures, including employee assignments abroad and mentorship programmes for women.

We also help employees reconcile the needs of their professional and private lives. We have introduced diverse measures and programmes that enable our employees to organise their working times flexibly in line with their individual situation. We also offer all employees opportunities to continuously further develop their skills and qualifications and to integrate new work methods and learning techniques into their daily activities.
Working-time arrangements

Customer access: offering individual solutions

The Mercedes-Benz Group values the individuality of its customers. We understand that our customers have different ideas about how they want to live their lives and therefore have different requirements. That's why we develop products and services that can meet their various needs. Our goal is to provide people with the mobility that's right for them and their lifestyle.

Among other things, Mercedes-Benz AG offers people with disabilities adaptive automotive equipment ex works as normal optional equipment (OE). These aids include operating levers for the accelerator and brake pedals, control assistants, power steering, swivel seats and seat adjustment systems. These devices are also available in the new all-electric model series such as the EQA and the EQB.

Mercedes-Benz AG is focussing on the wishes and requirements of women — for example, through the global initiative "She's Mercedes". This initiative was launched more than five years ago and is now active in more than 70 countries. "She's Mercedes" aims to inspire and connect women and to enable them to share their experiences across different sectors and cultures. The initiative regularly organises events, meetings and a variety of activities. In addition, Mercedes-Benz AG aims to make the women's community more aware of its own brand world and to become more familiar with their needs and wishes regarding mobility, future technologies and sustainability.

The "She's Mercedes" initiative has also established itself inside the company, where "She's Mercedes" now extends from sales to communication and aftersales services. The initiative supports efforts to increase the number of female sales personnel and develop new mobility services and other services. It is also involved in annual training events around the world. The basic goal is to establish Mercedes-Benz as an attractive luxury automobile brand for women and men alike.

Active diversity management at the company

GRI 103-2

The Mercedes-Benz Group expects its employees to treat one another in a respectful, open and fair manner. Managers serve as role models here and thus have a special responsibility for ensuring a corporate culture that is marked by respect.

The Integrity and Diversity & Inclusion units design the framework and processes for such a culture. The Diversity & Inclusion Management unit is a corporate function that is part of the Group's Human Resources organisation. It develops strategic areas of action in

cooperation with the business units and initiates Group-wide projects, training programmes and awareness-raising measures. Diversity & Inclusion Management shares ideas and experiences with the various specialist units at regular discussions of the Diversity Working Group. The intranet-based Global Diversity Community also offers all interested employees the opportunity to obtain information about diversity and inclusion at the Mercedes-Benz Group, establish networks and engage in dialogue.

We also regularly hold discussions with external stakeholders about topics related to diversity — for example, as part of our membership in the Diversity Charter and our participation in the Global Summit of Women.

Principles and policies
All the members of the Mercedes-Benz Group Board of Management support our diversity statement "Diversity Shapes Our Future" and are actively committed to the realisation of its principles.

- **Celebrating our differences.** We respect and appreciate the diversity of our employees. We encourage them to contribute this diversity to the company.
- **Creating connections.** We benefit from the diverse experience, skills and perspectives of our employees around the world. They reflect the diversity of our customers, suppliers and investors.
- **Shaping the future.** Every one of us helps to create an environment characterised by appreciation and mutual respect. This is how we are shaping the future together.

The principles of diversity and equality of opportunity have been set out in binding form for Mercedes-Benz Group AG, Mercedes-Benz AG and Daimler Brand & IP Management GmbH & Co. KG in the company-wide agreements on "The Advancement of Women" and "Equal Opportunity". Furthermore, our policies regarding diversity and equal opportunity are also organised in our Integrity Code and our Group-wide "Fair Treatment in the Workplace" agreement.

A specific guideline is addressed to transsexual employees as well as managers and human resources units. This guideline clarifies company policies and the legal framework, describes administrative rules relating to name and gender changes and lists the relevant points of contact at the company. Through these measures the Mercedes-Benz Group emphasises its commitment to an open-minded corporate culture.

We anchor our principles publicly through our membership of corresponding initiatives and associations and by signing standards and principles such as those defined by:

- European Women's Management Development (1999)
- UN Global Compact (2000)
- Charta der Vielfalt e.V. (2006)
- Global Summit of Women (2006)
- FidAR e.V. (2010)
- Women's Empowerment Principles (2013)
- The UN Standards of Conduct for companies fighting discrimination against LGBTI people (2018)
- HIV declaration of the Deutsche AIDS-Hilfe (German AIDS service organisation) (2019)
- The Valuable 500 (2020)
- Joint Declaration against Sexism and Sexual Harassment (2021)

Dealing with violations of policy

GRI 406-1

Mercedes-Benz Group employees who have been victims of discrimination, bullying or sexual harassment, or who observe improper behaviour by colleagues, can report such violations of policy to their supervisors, the HR department, our counselling service, their plant medical services organisation or the Works Council. We fully investigate all reported incidents, and we also speak with the individuals involved and document these conversations.

Additional points of contact are the "Infopoint Integrity" and our Business Practices Office (BPO) whistleblower system. The BPO is responsible for dealing with

violations of the law and of policy that pose a high risk for the company or its employees — both in a material sense such as through theft, fraud or corruption and in the personal sphere, for example through sexual harassment, discrimination or racism. Employees as well as people outside the company can report violations of policy to the BPO. The whistleblower system provides support for the subsequent investigation until the case is closed. In the process, the BPO maintains strict confidentiality. Moreover, in our whistleblower system we emphasise fairness — both in our dealings with whistleblowers and our treatment of employees who are the target of a complaint. We observe the basic principle of proportionality, and in each individual case we strive to determine what consequences are applicable, required and fitting.

This BPO process is guided by a globally valid corporate policy for dealing with violations of policy. This policy ensures a fair and transparent approach that in addition to protecting the interests of the Group also takes into consideration the principle of proportionality for those affected while also giving protection to the whistleblower. The policy defines the areas of responsibility of the various participants. It also defines the criteria for evaluating incidents of misconduct and making decisions about their consequences.
↗ The BPO whistleblower system

Measures

Promoting diversity and equal opportunity

The Mercedes-Benz Group promotes a culture that is characterised by appreciation, respect and equality of opportunity. We shape diversity and inclusion by means of specific programmes and measures for our employees.

Equal opportunity for women

At the Mercedes-Benz Group, the advancement of women begins with the young generation. We participate in job information days and the annual Girls' Day — which was held digitally in the reporting year — as well as in the educational initiative Genius. By means of these measures we aim to support the goal of arousing girls' interest in technical careers and promoting young engineers.

We have also defined target corridors for the share of women trainees in our company-wide agreement for the advancement of women. In order to encourage women to join our training programmes, we have worked out and defined various measures in cooperation with the Works Council. The Works Council members who are participating in this effort, as well as the training officers, regularly check to see whether the measures are effective and adapt them to local circumstances as necessary. Another workshop on these issues will be held by these participants in the summer of 2022.

We also participate in university fairs in order to interest women in starting a career at our company.

Our measures for promoting the advancement of women extend along the entire employee journey and involve everything from recruiting to onboarding and individual professional development and qualification. Among other things, we offer special mentoring programmes that aim to prepare women for work in management positions and help us achieve the targets we have set for ourselves for the share of women in management positions. For example, at Mercedes-Benz AG we run the mentoring programme Bertha's Daughters In this programme, selected participants engaged in mentoring talks, as a group and individually, with top managers. They also attended digital events where they gained insights into various business units and could listen to motivational presentations by external speakers. Our networks specifically created by and for women also make it easier for them to share ideas and experiences. These include the Frauennetzwerk (FNW), the Women's Business Network (WBN), Frauen in Technik (FIT) and the CAReer Women's International Network (CAR-WIN).

Promoting cultural diversity

172,425 people from more than 145 nations work at the Mercedes-Benz Group. Our employees' diverse cultural backgrounds help us to better understand the different wishes of the customers in each region and tailor our products accordingly. At the same time, we conduct training programmes to improve intercultural skills and increase awareness of the importance of diversity and inclusion. We also make use of targeted recruiting measures.

At the Mercedes-Benz Group, job applicants from abroad account for almost 30 per cent of the people we hire via our INspire talent programmes.
↗ International talent training programmes

The Mercedes-Benz Group encourages its employees to take on international assignments. At our company, global thinking, personal development and an understanding of new cultures and worlds of work are put into practice every day. Around 1,300 employees from around 30 nations all over the world work for the Mercedes-Benz Group. By far the most important country in which assignees from Germany work is China. It is followed by the United States and Mexico. South Africa, Poland and Hungary also among the important assignee destinations.

We also promote the assignment of employees from our global locations to Germany or to other countries so that they can build up networks and share and deepen their know-how. These employees also help to make the Mercedes-Benz Group more international. Many global assignees worked in Germany during the reporting year. Most of them came from India, China and the United States. In addition, employees from other countries (outside Germany) also carry out international assignments, primarily in China and the United States. They mostly come from South Africa, the United States and Spain.

Integrating employees with disabilities
Employees with disabilities are an important and fully integrated part of our diverse workforce at the Mercedes-Benz Group. Training for young people with disabilities is particularly important at the Group. As early as 2006, we worked with the severely disabled persons' representative to put together a plan of action for hiring severely disabled trainees. The goal of this plan of action was to make it easier for people with disabilities to navigate the job application process. Over the past five years, more than 90 young people with a disability have begun a training programme at Mercedes-Benz Group AG or Mercedes-Benz AG.

In addition, in Germany the severely disabled persons' representative and the inclusion officer of the company take action on behalf of severely disabled employees. In 2020, the Mercedes-Benz Group joined the global initiative "The Valuable 500", which promotes the inclusion of people with disabilities at companies and businesses. By joining the initiative, the Group committed itself to promoting an enabling and inclusive work environment, for example by ensuring barrier-free access within the company. It also promised to support social inclusion through measures such as barrier-free products and services and cooperation with organisations that help people with disabilities.

Generation management
The average age of the global workforce of the Mercedes-Benz Group in 2021 was 42.5 years. The demographic transformation is also leading to a situation where people continue to work longer than before. This means that the average age of our employees is likely to increase in the years ahead. We regard this transformation as an opportunity, and we are adjusting the framework conditions for it accordingly. In particular, we focus on measures for supporting the capabilities and health of younger and older employees, and we also want to increase cooperation between people of different ages.

For example, the generation management approach at Mercedes-Benz AG focusses on the following activities:

- Against the background of digitalisation and automation, we conduct training courses in order to qualify employees of all ages to deal with the new requirements of a modern production environment. In parallel, we are incorporating comparable content covering future-oriented technologies into relevant apprenticeship and degree programmes. As a result, we are ensuring that the trainees who complete these programmes have the expertise they need.

- We offer employees of all ages advanced training in future-oriented technologies in order to implement digitalisation projects in production units. The goal here is to give employees the opportunity through advanced training to work in areas where the company needs additional staff and to enable them to cope with new challenges.

In addition, at Mercedes-Benz AG and Mercedes-Benz Mobility AG as well as their subsidiaries in Germany, we are, for example, making use of the expertise of experienced employees who have already retired. Our Senior Experts programme offers retired experts the opportunity to contribute their expertise to various projects for a limited period.

Since 1998, the company has also offered pre-retirement part-time work agreements to salaried employees in Germany who wish to take early retirement.

Such agreements ease the transition from work to retirement. The pre-retirement work agreements offer different entry models and working-time arrangements. The remuneration paid for the pre-retirement part-time work of older employees is topped up over the full duration of the agreement.

Supporting the rainbow community
The Mercedes-Benz Group publicly supports diversity and inclusion by means of specific Pride activities — for the LGBTI+ community and beyond. We are demonstrating across all divisions and locations that the Group stands for a culture that is characterised by appreciation, respect and openness. This culture is supported by the work done by our GL@D (Gay Lesbian Bisexual Transgender+ at Daimler) employee networks and our Spectrum and EQUAL networks in the United States.

In the reporting year, we continued our activities here even during the ongoing covid-19 pandemic — for instance, through our in-house Pride Month. For example, international representatives of our locations and Employee Resource Groups offered various online formats for all employees from 1 to 30 June as part of the Pride Month.

Employee Resource Group Involvement

Employee Resource Groups enable Mercedes-Benz Group employees with shared interests, experiences and values to discuss various issues across all business units and levels of the hierarchy. These networks help to firmly establish a culture of diversity and respect at the company. At the same time, through their questions these Employee Resource Groups support us as dialogue partners as we continue to develop our programmes related to diversity and inclusion. They are also our partners in diversity projects and diversity events. The Group has 12 official Employee Resource Groups. These are mostly cultural, gender-related, LGBTI+ and role-specific networks that are generally active Group-wide. In order to promote interaction between the Employee Resource Groups, the Diversity & Inclusion Management team organises regular meetings for the networks' spokespersons.

Awareness-raising and qualification measures for employees

The Mercedes-Benz Group offers awareness-raising measures covering the topics of diversity and inclusion for its employees all over the world. A common platform known as the Global Diversity Community can be accessed by everyone via the employee portal. It provides information about the strategic orientation regarding diversity and inclusion at the Group, as well as access to programmes at the company. It also offers interested employees the opportunity to establish networks and share ideas, experiences and information.

For example, a new e-learning tool that aims to increase awareness of the need for appreciative interaction as well as possible obstacles, and to show how each employee can contribute to this development, has been in use since May 2021. Through the use of case studies, the participants learn about effective methods for eliminating their own prejudices and various approaches to conflict resolution. This training programme is available to all employees worldwide and is offered in 11 languages.

We also use in-house communication channels to raise our employees' awareness of these issues. For example, on 21 March 2021, the International Day for the Elimination of Racial Discrimination, we drew attention to everyday racism in a message in the intranet titled "Allies against Racism". We also called on our employees to stand up for others — at the workplace and in their daily lives.

We also offer target group-specific qualification measures to support our newly appointed managers as they deal with diversity and inclusion issues. Training sessions on diversity and inclusion are a fixed component of these training programmes. Among other things, these courses teach participants how to address stereotypes and break down prejudices.

Diversity Day

One day in the year is especially devoted to the topic of diversity at the Group — the in-house Diversity Day. Consciously experiencing diversity, taking in new perspectives and understanding how all employees can profit from diversity and inclusion management — these are central objectives we want this measure to achieve.

During the reporting year the Diversity Day was held for the ninth time. Discussions under the slogan "Diversity needs inclusion. Facing the challenge" were conducted at online events, with participation of some members of the

Board of Management. Employees could submit questions in the run-up to the events. In addition, all managers received a set of guidelines to help them initiate dialogues within their teams after these events were over.

Cooperation with external partners

The Mercedes-Benz Group is a co-initiator and founding member of the employer initiative "Charta der Vielfalt" (German Diversity Charter), which promotes the substantive discussion of diversity and inclusion management in Germany by means of various projects such as Diversity Day. Over 3,300 companies and institutions have already signed the German Diversity Charta.

During the reporting year, we once again served as a partner for the "DIVERSITY für Vielfalt in der Arbeitswelt" conference on diversity in the workplace. The event has been organised by Charta der Vielfalt e.V. and the publishing company Der Tagesspiegel since 2012. The conference, which was held under the slogan "Allyship — united for diversity", focussed on joint action and solidarity for and with minority groups in the working world. Within the "Debating Diversity" format that is used during the conference, a discussion was held with a company representative from top management and other participants in order to determine whether joint action can help employees accommodate diversity even more actively in the workplace. We helped to develop the "Debating Diversity" format.

In addition, we were once again an active partner at the international level at the "Global Summit of Women".

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The Mercedes-Benz Group considers it important to make its approach to diversity measurable by means of quantitative key indicators so that it can identify areas where action must be taken as needed. We orient ourselves according to the Sustainable Development Goals (SDGs), especially Gender Equality (SDG 5) and Reduced Inequalities (SDG 10).

To measure the increase in the proportion of women in our top management, we use the corresponding data from our personnel reporting systems. The standardised results are regularly reported to the Board of Management. We measure equality of opportunity and fairness in the company by means of the Inclusion Index. This analysis is performed every two years within the framework of the employee survey.

Results

For the Inclusion Index, we ask our employees in the survey whether they agree with the following statement: "Everyone at this company is treated fairly regardless of ethnic background, race, gender, age, disability, or other differences not related to job performance". The Index indicates the proportion of positive answers. The employee survey conducted during the reporting year showed a positive interim result for the Inclusion Index at the Mercedes-Benz Group. We have already attained our interim goal of raising the index to 70 per cent by 2025. We want to achieve a value above 75 per cent by 2030.

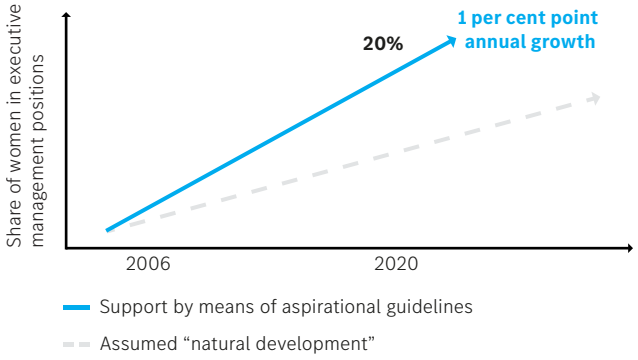
As early as 2006, the Group set itself the target of continuously and sustainably increasing the share of women in senior management positions in the Group to 20 per cent by the end of 2020. This goal was achieved, and our plan for 2021 and beyond is to further increase the proportion of women in senior management positions at the Group by one percentage point each year. We achieved this goal during the reporting year. As of 31 December 2021, the share of women in senior management positions (Level 3 and higher) at the Mercedes-Benz Group worldwide (headcounts, fully consolidated companies) is 22.5 per cent.[1] Due to the spin-off of the Daimler Truck Group as an independent company in December 2021, the data are not comparable to previous years.

At the end of 2021 the Board of Management of Mercedes-Benz Group AG consisted of three women and five men. As a result, the share of women is 37.5 per cent. A detailed report on the composition of the Board of Management and the Supervisory Board can be found in the Annual Report.

Declaration on Corporate Governance, AR 2021

1 Headcounts, fully consolidated companies. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company in December 2021 makes it impossible to compare these data with the data from the previous years.

Development of the share of women in senior management positions



Female workforce[1]

GRI 405-1

	2017	2018	2019	2020	2021[2,3]
Europe	38,696	40,718	40,604	38,415	**28,379**
NAFTA	7,030	8,130	7,915	7,729	**3,353**
Latin America	1,657	1,708	1,771	1,676	**278**
Africa	1,466	1,514	1,539	1,549	**1,382**
Asia	4,484	4,658	4,692	4,415	**2,719**
Australia/Pacific	303	314	314	279	**206**
Total	**53,636**	**57,042**	**56,835**	**54,063**	**39,317**

1 Workforce from 2021 not including temporary workers during vacations, integrated master’s degree students, interns, working students, doctoral candidates, senior experts and trainees
2 These data are only for the Mercedes-Benz Group. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Female workforce by group

GRI 405-1

	2021
Direct functions (production employees)	**7,528**
Indirect functions (employees in administration and in production-relevant units)	**28,789**
Trainees	**1,042**
Interns/integrated master’s degree students/doctoral candidates/working students/senior experts	**1,511**
Temporary workers during vacations	**16**

Women employees: other key figures (in %)

GRI 405-1

	2017	2018	2019	2020	2021[1,2]
Percentage of women	18.5	19.1	19.0	18.7	**21.1**
Percentage of women in Level 1 to 3 management positions	17.6	18.8	19.8	20.5	**22.5**
Percentage of women on the Board of Management	25.0	25.0	25.0	25.0	**37.5**
Percentage of women on the Supervisory Board	25.0	25.0	30.0	30.0	**30.0**

1 These data are only for the Mercedes-Benz Group. The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
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Health and occupational safety

Strategy and concepts

Occupational health and safety management

GRI 103-1

The company wants to ensure its employees can work in a safe and healthy environment. Our overarching goal is to prevent health risks and maintain the health of all of our employees over the long term. For example, we design our workplaces in line with ergonomic criteria and offer health maintenance programmes and occupational safety training. That's because only satisfied and healthy employees can unlock their full potential and thus contribute to the success of the company.

The covid-19 pandemic is not the only reason why it's so important to have a sustainable occupational health and safety management system in place. The demographic transformation and advances in technology are also leading to new challenges. To this end, we utilise a holistic occupational health and safety management system. The focus here is mainly on preventive measures that we continuously review and develop further.

Requirements and policies

GRI 103-2 GRI 403-1/-8

The Mercedes-Benz Group's occupational safety strategy sets standards for the design of workplaces and work processes. Moreover, we are systematically striving to reduce occupational and health-related risks. The Group operates on the basis of globally uniform guidelines for risk prevention. The Group's Occupational Health and Safety Policy and Guidelines on Occupational Health and Safety serve as overarching, internationally valid Group regulations. They are based on international standards and national laws and emphasise the managers' obligation to act responsibly. Moreover, they underscore the employees' own responsibility. In Germany, they are extended by the occupational health and safety guidelines.

Our international corporate Occupational Health and Safety Policy specifies binding tasks, duties, necessary bodies and communication requirements for all controlled and consolidated Group companies. The policy also requires the creation, operation and continuous improvement of a management system for occupational health and safety (OHS) that is based on the ISO standard 45001. Many locations voluntarily have their occupational health and safety management system certified by external companies according to the ISO 45001 standard. The safe work standards described in these requirements also apply to external companies and their employees. We regularly check contractors at our sites to see whether they are meeting the standards. In some cases, we make such checks several times a year.

In 2021, all the policies and requirements for occupational health and safety were reviewed and, where necessary, amended by the individuals responsible for the documents. For example, we added the requirements for a battery factory to the safety-related specifications for the procurement of work materials. This review ensures that safety standards for plants and processes, for example, remain high when operations are transferred to Mercedes-Benz AG.

In 2019, the company also committed itself to Vision Zero. This global campaign aims to prevent job-related accidents and illnesses and to promote the employees' health, safety and well-being. Many companies and partner organisations, including the World Health Organization, take part in this campaign on the international level.

Organisation and areas of responsibility

GRI 103-2 GRI 403-4

Occupational safety and health issues throughout the Group are managed by the Health & Safety unit, which is part of Human Resources and is under the direction of the Corporate Medical Director of Mercedes-Benz Group AG. The Health & Safety unit is divided into six

competence centres: Occupational Safety, Occupational Medicine, Company Healthcare, Integration Management, Ergonomics and Social Counselling. Each competence centre controls the occupational safety and health management processes in line with regularly updated policies that are valid throughout the Group.

The specific occupational health and safety goals that are set for each location are based on an overall strategy that includes our occupational health and safety guidelines and occupational safety strategy, as well as the results of audits and reviews.

At each of our locations we have established occupational safety committees in which employees can participate. Our managers are responsible for ensuring that all internal policies and legal requirements for occupational health and safety are complied with. The Health & Safety unit helps managers meet their obligations with regard to occupational health and safety. Each location defines the responsibilities and specific obligations in line with local conditions.

All of our employees have to take on personal responsibility for health and occupational safety by performing their work in a safety-conscious manner. They have the right to withdraw from work situations in which they can understandably assume that they face a clear and present danger to their lives or health. Safety risks and near accidents must be reported to the appropriate manager depending on the location, and are addressed in regular discussions in production and administrative departments (shop floor management). We record information about work accidents and risks by means of our accident documentation systems. We want to steadily improve the workplaces, working environments and work processes of our employees and have them contribute to the design of these places and processes.

Occupational health and safety issues are also discussed on a regular basis in various committees, such as the Occupational Safety, Environment and Health Commission, as well as with works council representatives and management representatives at the various levels of the company. All decisions resulting from such discussions are made jointly.

Handling of covid-19

In order to curb the spread of covid-19, employees at our locations were provided with information on the specific measures and rules that were put into effect in order to protect them against infection. We also implemented official recommendations, such as those issued by the Robert Koch Institute (RKI) in Germany, for example. This applies to both the reporting period and thereafter. At the beginning of the pandemic, we quickly undertook measures to prevent infections, because our employees' health and safety have top priority. As early as April 2020, we took extensive precautions to prevent infection and agreed with the General Works Council on a comprehensive package of measures that was then implemented. These measures include hygiene and cleaning standards as well as rules for individual behaviour in the workplace. In addition, our employees have worked from home wherever possible since spring 2020 in order to further reduce the risk of infection. During the reporting year, we supplemented these measures with a company testing strategy. For example, employees in Germany receive two free lateral flow tests per week from the company. This allows the employees to voluntarily test themselves at home and thus reduce the risk of infection. The company also conducts targeted covid-19 lateral flow tests subject to cause and if the source of an infection cannot be clearly discerned. These lateral flow tests are performed by medical professionals.

In 2020, the company introduced a global accident and emergency documentation system, which includes an integrated digital reporting process for emergencies that makes it possible to quickly collect data on all covid-19 cases among employees. This in turn enables the plant medical services organisation or managers to conduct a rapid contact-tracing procedure. In 2021, this depiction of infection chains continued to enable us to help inhibit the spread of covid-19 within our company. Moreover, we further enhanced the system during the reporting year. Among other things, the evaluation and analysis of the data in conformity with the data protection requirements is now even better. The improved functionality helps us to respond more quickly and in a targeted manner to unforeseen events such as another pandemic in future and thus to be less vulnerable to crises.

Risk management

GRI 403-2/-7

The Mercedes-Benz Group wants to prevent accidents and risks to the employees' health. Our Health & Safety unit is therefore pursuing a preventive approach and is evaluating the potential risks of workplaces and work processes at an early stage. Our Group's production locations have a safety risk management system that is aligned with our Policy on Occupational Health and Safety. Instruments and risk assessment processes that are implemented at the local level have also been defined.

In order to review whether the corporate policies regarding occupational health and safety have been duly implemented, each location that generally employs more than 500 people or has a corresponding risk level is visited approximately every five years. A standardised process is then used to conduct the associated evaluations. This enables us to identify and address any local deviations.

Risk assessments are carried out in the following topic areas, among others:

- Safety and accident management and occupational safety organisation
- Performance of hazardous work
- Hazards due to fire and explosion
- Risks due to machines and plants

Digital risk assessment

Risk assessments are an important tool with which the Group can evaluate potential risks. We have digitalised parts of this risk management process using an online tool that is made available all over the world. The tool is provided by the European Agency for Safety and Health at Work (EU-OSHA) and was expanded for the Group's purposes. The online tool enables us to make risk assessments using desktop computers, tablets or smartphones. It shows the user-specific risks that can arise in his or her particular area. The user then only needs to decide whether the suggested measures suffice to reduce the risk to an acceptable level. This risk assessment is then used as a basis for automatically generating instruction documents. In this process, we cooperate closely with the EU-OSHA. The tool is now a part of our regular operations at all of our German locations and at several international locations, such as Kecskemét (Hungary). The system is multilingual and is available at the international locations.

Uniformly assessing risks

The Mercedes-Benz Group assesses the risks of new facilities worldwide along the entire process — from the call for bids to the acceptance stage — in a uniform manner and in line with defined criteria. The assessments are based on our safety concepts, which suppliers implement in accordance with our requirement specifications. The planning departments are assisted by occupational safety specialists, from the initial idea to the standardised facility acceptance process. During risk assessments, we also evaluate and approve hazardous materials. We also assess the mental and ergonomic stress caused by workplaces and the respective working environments.

In addition, we utilise a contractor management process whose fundamental components are the assessment of mutual risks and the development of appropriate measures on the basis of this risk assessment. We then monitor these measures by means of random checks. We also have an instructional video about work safety-related matters. Moreover, the assessment of risks that can arise within the framework of our cooperation with external companies, as well as the monitoring of the derived measures, have been digitalised since mid-2021 and are depicted in our risk assessment tool.

Measures

Company health management and mental health

GRI 403-3/-5/-6

The company offers the employees in Germany occupational health advice and screening as well as measures and services of the company health programme and the social counselling service. We want to promote both the mental and physical health of our employees with our company health management system in Germany. This objective is promoted with the help of campaigns,

counselling and qualification offerings, as well as with preventive, therapeutic and rehabilitation measures. During the reporting year, a Group-wide mental health agreement was reached for Germany with the goal of maintaining and promoting the employees' mental health. Internationally, our focus is on medical care as well as on the coordination of pandemic-related measures and prevention strategies, and ergonomics.

The health management systems at Mercedes-Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Bank AG and Mercedes-Benz Mobility AG focus on preventive approaches that range from the job-related Health Check and the ergonomic design of workstations to an IT system that makes it easier to reintegrate employees suffering from permanent health-related limitations. In the latter case, a capabilities profile created by the plant physician for the employee in question is compared with the requirements for various types of jobs. This matching process yields a list of possible jobs that employees suffering from permanent health-related limitations might be considered for.

As part of the company health-promotion efforts, the employees were increasingly provided with digital services in 2020 and 2021. In the first half of 2021, many people availed themselves of the multi-location services concerning nutrition, exercise and mindfulness that Mercedes Benz Group AG, Mercedes-Benz AG, Mercedes-Benz Bank AG and Mercedes Benz Mobility AG offer. Since April 2021 all employees have also been able to use a new health app, which provides them with information about the Group's health-related services as well as interesting facts about various health topics. In addition, it initiates competitions. Another feature of the app is that the user can create his or her own health profile. The digital health services are supplemented by programmes that are targeted at specific groups, such as managers or trainees. The Mercedes-Benz Group will further intensify its range of digital health services in the future.

Because Daimler Gastronomie GmbH is part of the Health & Safety unit, the respective experts can cooperate even more closely. Plant-based nutrition, in particular, creates mutual areas of cooperation with Daimler Gastronomie. In addition to promoting a healthy, sustainable and varied menu, the measures focus on reducing CO_2 emissions. For example, the CO_2 value of each meal has been shown on the menu since December 2021.

Medical care for employees
At the Mercedes-Benz Group, occupational medicine includes programmes and measures for the prevention of work-related illnesses and occupational diseases as well as for the promotion of health in the workplace. Moreover, we provide all employees with acute and emergency healthcare that includes the treatment of accident victims. All employees can use our plant medical services, our social counselling service and the basic services of our company health promotion programmes. These basic company health promotion services as well as acute and emergency care are also available to our temporary workers.

Measures related to covid-19
We continue to make employees worldwide aware of issues relating to the pandemic and to provide them with information on specific measures and rules that help protect them against infection. The existing extensive communication measures are being continued in a target group-focussed manner.

The introduction of approved vaccines enabled us to provide eligible employees at German locations with vaccinations in line with the German government's vaccination campaign. Company doctors and medical professionals performed the vaccinations at the German locations. For this purpose, the company draws on its many years of experience when it comes to vaccinations and vaccination advice. For example, it gives thousands of vaccinations each year to employees before they go on business trips abroad and regularly vaccinates against influenza. The number of vaccination lines varied according to a location's size. The lines provided the employees with information about the vaccination and vaccinated them against covid-19. We were able to offer all employees the option to be vaccinated. The response was very positive. Beginning in mid-November, the company again offered first and second doses. Booster shots were also provided, beginning in December.

Promoting a healthy lifestyle
The Mercedes-Benz Group wants to motivate its employees to develop healthy lifestyles and reinforce their

sense of personal responsibility regarding their health. We promote this objective worldwide with the help of campaigns, counselling and qualification offerings, as well as with preventive, therapeutic and rehabilitation measures. All of our production locations in Germany, as well as numerous international locations, have health centres on their premises or cooperate with health centres located near the plants.

Our healthcare centres and those operated by our partners offer our employees programmes for the prevention and treatment of problems with their backs and joints, for example, as well as physiotherapy services. In addition, our fit@work exercise machine enables employees to perform fascia training near their workstations in order to prevent orthopaedic complaints. We also conduct a target group-specific training programme in which managers extensively analyse their own health-related behaviour and develop a health-focussed management style. The measures developed by the company healthcare unit are scientifically monitored and evaluated.

In-house counselling service
Our in-house social counselling service advises and supports managers and employees who are experiencing a situation of change, conflict or crisis in either their professional or private lives. The offers are also available for the temporary workers in Germany and the employees' families.

In 2020, the social counselling service set up an online hotline for the psychosocial concerns of employees from German locations who are working abroad. This hotline can also be used by the employees' families.

The social counselling service also offers unit-specific manager workshops as well as coaching and qualification programmes for managers. These offers are intended to help participants enhance their psychosocial leadership skills and become more aware of related issues. Social counselling services are offered at the plants as well as online and by phone. The social counselling service uses a systematic solution-oriented approach. Its services are confidential and are subject to the legal obligation to exercise discretion.

Making workplaces ergonomic
The Mercedes-Benz Group employs an ergonomics strategy and an ergonomics assessment method that are defined in a company-wide agreement.

The strategy encompasses the following principles and goals:

- No unhealthy workstations — ensured by the optimisation of new and existing workstations
- Maintenance of our employees' health and capabilities
- Assignments for employees in line with their respective profiles and abilities
- Use of preventive measures to reduce the incidence of musculoskeletal disorders
- Managers take on responsibility for keeping their employees healthy

In order to comply with these principles and achieve these goals, we focussed on the following measures and areas of action during the reporting year:

- Update and provision of a new brochure about the standards for ergonomic workplace design
- Introduction of an easy-to-use ergonomic screening system for small international locations
- Continuous redesign and improvement of ergonomically critical workstations
- Provision of information on workplace design and further training regarding ergonomics to employees with planning tasks (ergonomics specialists) and managers
- Begin planning the further development of software for the ergonomic assessment of workstations (EAB-IT)

We use an IT-based system to evaluate workstation ergonomics. This system makes use of relevant data for the given workstation — e.g. component weights, posture when performing different activities and the degree of physical effort the employee needs to make when carrying out a certain task. Algorithms use the

data as a basis for calculating the physical demands of the workstation in question. The result is shown as one of the traffic light colours. This helps us to quickly determine a workstation's potential for improvement and institute corresponding measures. We now use this traffic light system to evaluate all newly created workstations during the planning stage. In this way, we want to avoid workstations with associated ergonomic risks in advance. We also create workstation profiles that enable us to assign employees with physical limitations to jobs that correspond to their capabilities.

Health and safety in production

The Mercedes-Benz Group uses its modular safety concept for human-robot collaboration in all production units. This concept ensures that the relationship between man and machine is safe in all situations. The concept fulfils all legal stipulations for the design and operation of facilities and machines. It can be flexibly used regardless of whether a robot takes on an assisting or performance-supporting role or operates completely automatically.

We also use work clothes with integrated digital devices (wearable computing systems), as well as exoskeleton systems, in order to simplify work processes. Exoskeleton systems help employees carry out physically strenuous work such as lifting heavy objects. They can also benefit employees with physical disabilities.

Raising awareness of occupational safety

GRI 403-5

The Mercedes-Benz Group is increasingly using media such as videos, various information portals and online training courses in order to make its employees more aware of ergonomics and occupational safety issues. All new employees are provided with initial instructions regarding the safety-relevant aspects of their workstations. After that, they are required to participate in safety-awareness instructions that are held on a regular basis. We have also developed special online training courses for certain areas of work, including offices in production areas and at development units. In addition, our digital risk assessment tool generates workstation-specific instructions directly on the basis of its risk assessments.

Since 2018 we have also maintained and regularly updated a Health & Safety information platform on our intranet. This provides employees with all of the essential information and rules regarding occupational health and safety at work. Because of covid-19, we have added pandemic-related topics concerning health protection and infection prevention to this platform. In addition, several intranet pages address and communicate location-specific information and current topics.

Effectiveness and results

The effectiveness of our management approach

GRI 103-3 GRI 403-1/-2/-8

The Mercedes Benz Group's sense of social responsibility is reflected in its operation of a sustainable health and occupational safety management system. We employ a preventive approach to ensuring the best possible levels of workplace safety and employee health. We want to prevent work accidents, work-related illnesses and occupational diseases to the greatest extent possible. In order to achieve this, we have our work processes evaluated and we document and report all incidents transparently.

An effective reporting procedure helps us achieve our occupational health and safety targets. That's why all of our locations have to report accidents and accident statistics to the Health & Safety unit. This information is used as the basis for monthly reports of the Group's accident statistics.

Results

GRI 403-6/-8/-9

The Mercedes-Benz Group's aim with regard to the covid-19 pandemic was to continue to limit the spread of the virus and maintain business operations. An extensive package of measures, which include safety and hygiene rules, testing strategies and offers of vaccination, have been implemented in an attempt to protect our employees as well as possible. In addition, we have helped to curb the spread of the pandemic. In conjunction with distancing and hygiene regulations, these measures enabled us to maintain the existing medical services as well as a wide range of health management offers. Because of covid-19, these services were increasingly provided digitally.

Some locations were unable to extend the voluntary ISO 45001 certificate due to the pandemic, among other

reasons. For the protection of our workforce, we limited the presence of external persons at our production areas to the minimum necessary for their operation.

Irrespective of any external certification audits, every five years or so the safety standards at the Group-owned production locations are reviewed. This review process aims at checking the compliance with our binding corporate policy concerning occupational health and safety and whether a functioning occupational health and safety management system is in place. No routine Mercedes-Benz site evaluations were planned as part of our Safety Risk Management during the reporting year. As a result, there were no pandemic-related omissions that would have to be made up for at a later date.

Worldwide, the Mercedes-Benz Group utilises several accident documentation systems that generate standardised statistics while taking data protection regulations into account. The statistics are based on documented hours of attendance, lost days and organisational structures. Among other things, this accident documentation makes it possible for us to identify the causes of accidents, the areas where accidents tend to occur, the pertinent tasks and the operating material that causes accidents. The worldwide production locations of the Mercedes-Benz Group recorded 1,277 accidents during the reporting year.

Every accident is analysed in order to determine the sequence of events. The affected units are also required to initiate preventive measures. Data on accidents from which other sites can learn and derive measures is sent to all occupational safety experts at all of our locations worldwide.

Accident frequency[1]

GRI 403-9

	2017	2018	2019	2020	2021[2,3]
Occupational accidents	2,766	3,152	2,957	**2,405**	**1,277**
Accident frequency (number of occupational accidents with at least one day of absence per million attendance hours)	7.5	7.7	6.8	**6.4**	**5.5**

1 Recording rate for Mercedes-Benz Group production sites worldwide: >99%
2 The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022

Participants in health training courses[1] (6-day training on exercise, nutrition & relaxation)

GRI 403-6

	2017	2018	2019	2020	2021[2,3]
Employees working shifts	500	544	460	-[4]	-[4]
Managers	274	310	123	-[4]	-[4]
Executive managers	191	177	188	-[4]	-[4]

1 Mercedes-Benz Group AG and Mercedes-Benz AG
2 The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.
4 The health programmes were suspended in 2020 and 2021 due to the pandemic.

Participants in health trainingPLUS[1] (health training on the topics of exercise, nutrition & relaxation with several units distributed throughout the year)

GRI 403-6

	2017	2018	2019	2020	2021[2,3]
Employees working shifts	184	206	252	-[4]	-[4]
Managers	245	242	304	-[4]	-[4]

1 Mercedes-Benz Group AG and Mercedes-Benz AG
2 The spin-off and hive-down of the Daimler commercial vehicle business as an independent company makes it impossible to compare these data with the data from the previous years.
3 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.
4 The health programmes were suspended in 2020 and 2021 due to the pandemic.

Sustainable urban mobility

Materiality and goals

Target	Target horizon
Improving road safety for all road users in urban areas.	Ongoing
Making the traffic flow in cities more efficient and optimising resource and infrastructure needs.	Ongoing
Expanding sustainable mobility by extending the charging infrastructure and cyclical use concepts for traffic systems.	Ongoing
Providing all city dwellers with unobstructed access to mobility.	Ongoing

The majority of the world's population now lives in cities. According to the United Nations, the proportion will reach almost 70 per cent by 2050. This development is affecting transport volumes and the quality of life in cities. Congested roads, higher CO_2 emissions and increasing noise and air pollution are just some of the effects of transport activities. That's why a smart mobility mix and the further expansion of electric mobility, as well as solutions for making goods transport more efficient, are now more important than ever before.

The goal of the Mercedes-Benz Group is not only to mitigate the negative effects of urbanisation but also to use sustainable mobility and transport solutions to further improve the quality of life in cities. Electric mobility is a key lever in this process — but it's not the only one. What we need is a comprehensive electric mobility ecosystem consisting of products, services, technologies and innovations.

The covid-19 pandemic has also created challenges for urban traffic. Many commuters regard their own cars as a safe alternative to local public transport, one that promises to effectively protect them from infection. The mobility of the future should be as safe as possible, as well as comfortable, sustainable, fast and intelligently networked.

The Mercedes-Benz Group is tackling these challenges and is already using intelligent mobility solutions to shape tomorrow's mobility transformation today.

Strategy and concepts

Urban mobility

Our area of action Sustainable urban mobility is a fixed component of the Mercedes-Benz Group's sustainable business strategy. Our goal is to help cities and their residents, as well as entire regions and individual neighbourhoods, meet their requirements in the areas of safety, sustainability, efficiency and access to mobility.

Mobility is context-related: we believe that for every situation there is a suitable mobility solution — one that focusses on people. To make sure we can offer such solutions, we aim to refine and combine existing products while also developing and testing new concepts. That was our goal when we established the "Urban Mobility Solutions" unit in 2019. This unit is part of the Board of Management of the Mercedes-Benz AG division Marketing & Sales, and its activities and decisions apply throughout the Mercedes-Benz Group AG. One of the unit's tasks is to maintain an ongoing dialogue with cities and their residents in order to gain an even better understanding of their mobility requirements. The Urban Mobility Solutions unit aims to improve the quality of life in cities by means of tailored and future-oriented solutions, products and business models.

In order to identify and address new ideas and trends in the area of urban mobility at an early stage of their development, partnerships are essential. We are convinced that the creation of shared values is the key to the sustainable urban mobility of the future. That's why our teams are working closely with representatives of cities, partners from industry, planners and researchers, as well as other Mercedes-Benz business units. By means of this approach we aim to develop new fields of business, expand and improve the portfolio of Mercedes-Benz Group AG and prepare the company for future developments in the urban transport of people and goods.

The Urban Mobility Solutions unit is currently conducting in-depth discussions with representatives of cities and regional governments in Europe and the United States in particular. The focus is on the question of 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.

Four mobility requirements

In order to make urban mobility safer, more efficient and more sustainable, the Urban Mobility Solutions unit is addressing the following four mobility requirements.

Making urban traffic safer

Efficient, clean and safe urban traffic is extremely difficult to achieve without traffic and vehicle data. In order to increase the safety of all road users and improve the flow of traffic, we make extensive vehicle data available to cities, with the consent of the vehicle users. Our aim is to help the authorities who are responsible for infrastructure and traffic safety make data-based decisions.

Avoiding emissions, conserving resources

To make sustainable mobility possible, we are relying on zero-emission vehicles, accelerating the expansion of the necessary charging infrastructure and promoting the circular economy. We are not only optimising the utilisation rate and the energy consumption of our products but also prolonging the life cycles of our vehicles. In addition, we are developing recycling loops for mobility systems and advising cities about the development of cyclical utilisation concepts for their traffic systems.

More stress-free and more sustainable city traffic

Avoiding congestion, optimising the search for a parking place and reducing operating costs — the creation of holistic mobility systems and the seamless integration of our vehicles within them will make all of this possible. We want to enable every road user to travel stress-free within urban spaces. To this end, we are developing flexible systems that are specially optimised for urban traffic and adapt themselves to the dynamics of cities.

Making mobility available to all members of the public

We support diverse interest groups in developing concrete mobility solutions for entire cities or individual neighbourhoods — beginning with the concept, moving on to its implementation and then adapting holistic mobility systems to the respective practical needs. We also support the expansion of the public charging infrastructure in cities, and we are developing networked solutions for every mobility context. Our goal is to make mobility available to all city-dwellers.

Strategic investments

The Mercedes-Benz Group acts as a strategic investor in the growing market for urban mobility services via Mercedes-Benz Mobility AG. Among other things, Mercedes-Benz Mobility AG and the BMW Group have teamed up in the YOUR NOW joint ventures, in which the two partners have an equal interest. The YOUR NOW mobility services combine solutions for Ride-hailing, multimodal mobility and carsharing. The bp energy company became the third shareholder in CHARGE NOW, the joint venture for charging electric vehicles, in 2021.

At the same time Mercedes-Benz Mobility is expanding its activities in the area of Premium Ride-hailing. As part of a joint venture with the Geely Technology Group, an app-based limousine chauffeur service known as StarRides was launched in Hangzhou, China at the end of 2019. The StarRides fleets now operate in ten major cities in China. Since 2013, Mercedes-Benz Mobility has also held an interest in the Berlin-based chauffeur services provider Blacklane.

Mobility services are an important pillar of the transport transformation

The YOUR NOW mobility services can help to make urban mobility more sustainable. For example, thanks to their efficient vehicle utilisation, the carsharing services of SHARE NOW are demonstrably reducing emissions as well as the need for parking areas and other car-related spaces. Furthermore, SHARE NOW, the leader of the European carsharing market, operates about 3,000 electric vehicles in eight European cities — that's more than 25 per cent of its fleet.

The mobility joint venture FREE NOW has set a clear goal for its sustainability strategy "Move to Net Zero": making 50 per cent of its journeys fully electric by 2025 and reducing emissions to zero by 2030. FREE NOW aims to be the first mobility platform in Europe to reach 100 per cent zero emissions by 2030 in all of the important European markets. Since early 2020, FREE NOW has also been retroactively offsetting all residual CO_2 emissions — not only at its own company but also for associated services. The fleet's gradual switch to more low-emission vehicles has already reduced CO_2 emissions by 5,144 tons since 2019.

In full-year 2021, FREE NOW made it easier for cab drivers to purchase all-electric automobiles so that the number of all-electric vehicles in the fleet grew by 104 per cent compared to the previous year. It also integrated about 130,000 new electric scooters, electric bikes and electric carsharing vehicles into its app. As a result of this step, FREE NOW has become the mobility platform with the largest selection of vehicles in Europe.

Through its charging solutions for automakers and fleet operators, Digital Charging Solutions GmbH (DCS) has become one of the most important global drivers of the transformation to electric mobility. DCS is behind the CHARGE NOW brand and operates the charging service Mercedes me Charge, among other things. With more than 280,000 charging stations in 30 countries, DCS offers drivers access to Europe's biggest charging network and to the charging infrastructure of its over 850 partners. DCS has set itself the goal of integrating 100 per cent green energy into its charging services step by step in order to provide all customers with access to CO_2-free mobility. In 2020, DCS also launched CHARGE NOW for Business on the market. This service makes it easier for leasing providers, major companies and their fleet managers to access electric mobility. DCS provides the necessary tools for managing electrified fleets. This solution combines Europe's biggest network of public charging stations with the special requirements of fleets, thus offering a uniform charging solution for electrified vehicle fleets.

Measures

Projects of the Urban Mobility Solutions unit

The Mercedes-Benz Group is working to make urban mobility more efficient, safer, more environmentally friendly and accessible to everyone — and to make CO_2 neutral mobility possible in the medium term. Many of our products and services are already designed to help improve the traffic situation in cities. At the same time we are supporting many projects, especially through the Urban Mobility Solutions unit, in order to continuously expand our contribution to reaching this goal.

Subscriptions for electric cars, eBikes and services

Every city is different, and so are the mobility needs of their residents. That's why mobility concepts have to be

specific to individual cities. In the reporting year, Urban Mobility Solutions developed a new concept for better adapting the automobile — Mercedes-Benz Group AG's core product — to the requirements of individual cities. In cooperation with Mercedes-Benz Germany, this resulted in the first pilot project of the Mercedes-EQ City Abo (city subscription) in Berlin.

The EQ brand is a comprehensive electric mobility ecosystem. It encompasses all the battery-powered electric automobiles as well as the related products and services from Mercedes-Benz. Its product portfolio ranges from electric vehicles and wallboxes to charging services and home energy storage units. The exact contents of each city subscription depend on the special features of the regional market or the selected city and the needs of its residents. The subscription might include hardware changes, special software features or cooperative projects with local companies. The starting point is a comprehensive study of the market.

For example, the City Subscription Berlin comprises the Mercedes-EQA in combination with a package of various products and services, such as a credit card for green charging current and an eBike plus the related services. The subscription also covers all the essential operating costs, such as insurance, summer/winter tyres and vehicle registration fees. In addition, customers can support social projects in Berlin. All of these elements are offered for a monthly total price. The subscription can be cancelled under flexible conditions.

Plans call for this concept to be expanded into other metropolitan regions in the future. We are currently examining whether to implement variants in further cities in Europe, North America and Asia.

Increasing safety in road traffic

The Mercedes-Benz Group participated in the Europe-wide cooperative project Code the Streets in 2021. This association of businesses, industrial partners and cities aims to find out whether safety-relevant information sent to displays on vehicle dashboards has an influence on road users' driving behaviour. The project is funded by the EU as part of the 🌐 Future Digital Mobility Management — Code the Streets programme.

As part of this project, drivers in urban centres are nudged, either ad hoc while driving or early on as they plan their route, to drive more considerately in safety-relevant areas such as school zones or on damaged roads. The Mercedes-Benz Group is not only providing the necessary technology for communicating such messages to vehicles but also enabling city authorities and mobility companies to share the information via our digital interface.

Parallel to this project, we've cooperated with the City of Stuttgart to identify and test additional use cases of City-to-Car Notifications. The goal is to provide drivers with greater access to relevant information in the future in order to make urban mobility safer and cities more liveable.

Collaborative route guidance

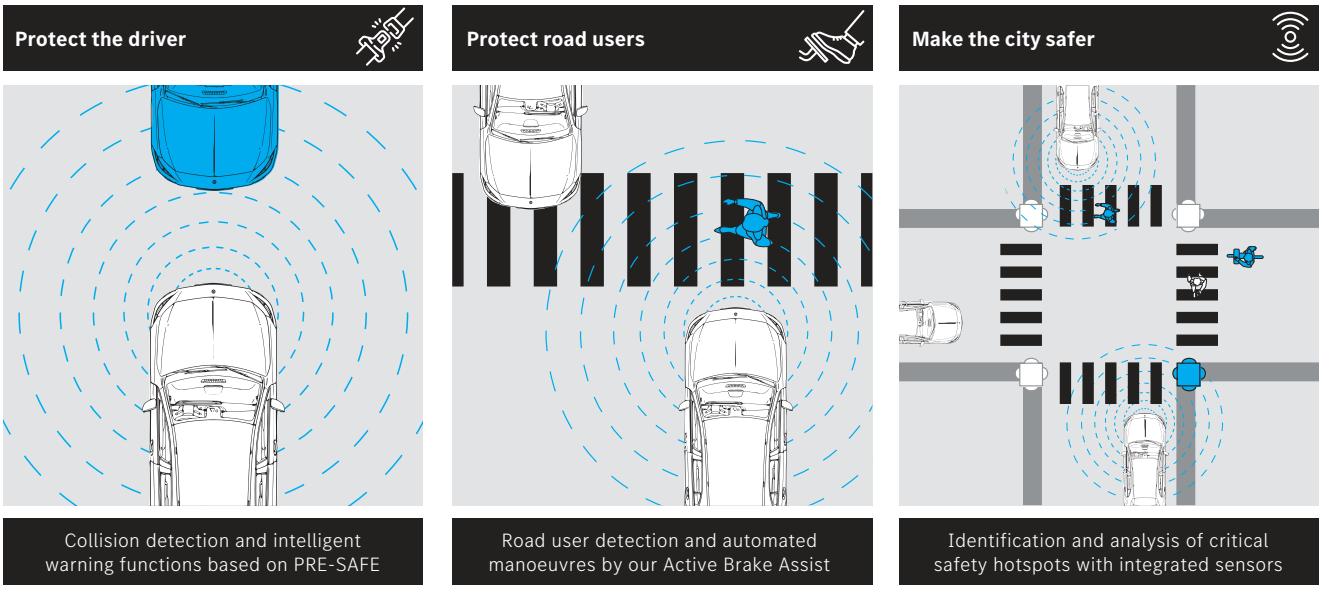
Less traffic jams, fewer emissions and faster arrivals — in order to make urban traffic more sustainable, the Mercedes-Benz Group participated in a "collaborative route guidance" project in 2021. The idea behind this approach is that the creation of route guidance networks connecting road users can distribute traffic more effectively across the entire available infrastructure — especially during rush hours and in connection with events or traffic disruptions. That way all road users can, on average, reach their respective destinations faster. Together with a leading software company in this field, we have tested the use of collaborative route guidance at various Mercedes-Benz locations in and around Stuttgart. We learned from the pilot project that people were fundamentally interested in using such solutions and that even small numbers of users can reduce congestion along major traffic arteries. Unfortunately, we were unable to test all of the scenarios, because of the pandemic. However, the tests will be continued as soon as the situation normalises.

Preventing serious and fatal accidents

In mid-2021, the Mercedes-Benz Group completed a flagship project called the "Mercedes-Benz Road Safety Dashboard". This digital tool can alert drivers to possible danger points in the city even before an accident happens. The Urban Mobility Solutions unit developed the Dashboard in cooperation with Transport for London (TfL).

London's city authorities are searching for ways to make the city safer for all road users — especially pedestrians

Mercedes-Benz Road Safety Dashboard



and cyclists — with the help of vehicle data. The initial talks with representatives from London were held in 2019. The city authorities' goal is to eliminate serious and fatal accidents on London's streets by 2041.

The Mercedes-Benz Road Safety Dashboard is based on individual messages sent by driver assistance systems, which are offered today in almost all Mercedes-Benz vehicle series. These systems can intervene in hazardous traffic situations and mitigate the severity of possible collisions. Sometimes they can even prevent collisions entirely. If the systems are frequently intervening in a certain area within the traffic network, the city authorities can analyse this area and take the necessary countermeasures — thus avoiding serious and fatal accidents in the future.

After its successful use in London, the Dashboard is due to be introduced in several other large and medium-sized European cities.

On-demand shuttle service in Liechtenstein

Liechtenstein is considering the introduction of an on-demand shuttle service, for which it is relying on the traffic simulation expertise of Mercedes-Benz. The principality aims to make mobility more sustainable, more efficient and more accessible in the medium term — and it considers the use of shuttle services as an important part of this effort.

Liechtenstein has a huge traffic problem, because more than 30,000 workers commute within the country and from abroad every day. Moreover, Liechtenstein has the highest degree of motorisation in all of Europe. At the same time the expansion of the country's rail network was halted by a referendum in 2020. In order to solve the problem, the government aims to develop mobility solutions that can be implemented quickly to fill the gap between private transport and local public transport.

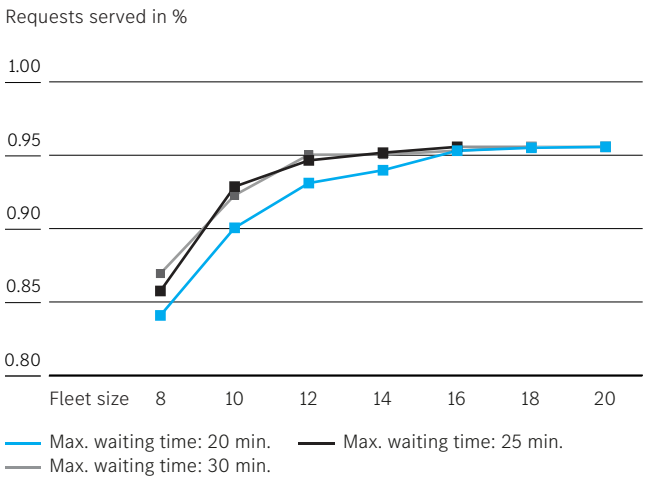
The on-demand service developed by our Urban Mobility Service unit fulfils exactly these requirements. Instead of adhering to rigid timetables, shuttles drive along individual routes at the passengers' desired times and can be quickly booked and paid for via apps. People who want to travel in the same direction share a shuttle. This relieves the pressure on urban traffic and is more environmentally friendly.

For one thing, Liechtenstein wants to use the shuttle service to motivate drivers to shift to more sustainable alternative transport. It also wants to create connections with areas that have to date been poorly connected. In addition, the shuttles complement the local public transport system — for example, with a feeder service that takes passengers to and from bus and rail stops.

In order to find the optimal operating model for the on-demand shuttle service, we first worked together with the Van Simulations team to model how the service would be operated. In a three-step process carried out from March until July 2021 we conducted various analyses and used the results to launch a virtual fleet of shuttle buses navigating the road network. After that we changed various controlled variables such as fleet size, vehicle size and acceptable waiting periods for passengers. In total, we simulated more than 2,500 different scenarios. Together we examined and analysed the results and made them available as a basis for decision-making to the operators, government and representatives of communities and interest groups.

In terms of the size of the fleet and the areas to be served two scenarios deliver the best results. For an on-demand service within Liechtenstein the use of twelve shuttles is optimal. A fleet of this size can fulfil more than 95 per cent of all trip requests and thus avoid about 1,600 kilometres per day of driving in private cars. If regions close to the border to Austria and Switzerland should also be served, a fleet size of 24 shuttles is optimal. With this offer, 91 percent of all travel requests can be fulfilled and about 2,600 kilometers of driving in private cars could be avoided.

Sample depiction of the proportion of requests that were served — by fleet size with respect to the domestic scenario



Developing a mobility concept for a consortium

The large county town Leonberg, which lies about ten kilometres west of Stuttgart, issued a call for tenders in September 2021. Investors were invited to submit development plans for an area at the edge of the city park along Berliner Strasse. This “investor selection process with a conceptual component” pays particular attention to the overall concept’s innovative aspects and future viability in the area of mobility.

In the view of this situation Urban Mobility Solutions advised a consortium, concerning the design of an urban planning concept, an utilisation and open-space concept, a green area plan, as well as land development and parking areas. From September to November 2021 the team created a mobility concept in close coordination with the partners involved in drawing up the draft proposal.

Creation of a mobility alliance for the Synergiepark in Stuttgart

“The Synergiepark Stuttgart: A flagship project for smart, needs-based and sustainable mobility. Attractive for all people and companies” — this is the title of a mobility alliance that was launched during the reporting year at the behest and direction of Urban Mobility Solutions at the Synergiepark Stuttgart. The common goal of the actors from politics and local industry is to enable sustainable, efficient and accessible mobility for employees, residents and companies at the Synergiepark. The Synergiepark plays a key role in this endeavour. The business park is the region’s largest, covering 120 hectares and offering employment for 30,000 people. Although the area is very well connected to the transportation network, commuter traffic causes considerable traffic problems, especially during peak hours.

One approach to counteracting this problem is the SSB-Flex on-demand shuttle service for the Synergiepark’s workforce. The pilot project’s launch had to be postponed until 2022 because of the pandemic. The shuttle service can be ordered via an app and is integrated into the local public transport fare system. The shuttle operates with Mercedes-Benz vehicles, some of which are equipped with electric drives. The SSB-Flex fleet is scheduled to switch completely to the all-electric Mercedes-Benz EQV in 2022. The goal here is to improve the flow of commuter traffic within the existing transport infrastructure. The shuttle service’s main goal is to provide a sustainable alternative for employees who primarily get to work by car or motorcycle.

More sustainable delivery traffic in cities

The SUSTAINEER from Mercedes-Benz Vans shows what sustainable delivery traffic in the city could look like in the future. The technology platform based on the Mercedes-Benz eSprinter bundles a variety of innovative solutions that, for example, make parcel and goods deliveries quieter, cleaner and more efficient - and thus improves the quality of life in cities: Among other things, the Mercedes-Benz SUSTAINEER is equipped with a low-noise electric drive system, low rolling-resistance tyres and a quiet sensor-guided swinging double door known as the Speed Delivery Door. In addition, the SUSTAINEER is equipped with intelligent software and communication solutions that enable efficient route planning in real time. That not only reduces the kilometres driven but also leads to less energy consumption and lower CO_2 emissions.
↗ Air quality

Effectiveness and results

The effectiveness of our management approach

The field of action “Sustainable Urban Mobility” is an integral part of the Sustainable Business Strategy of the Mercedes-Benz Group. With its trend-setting mobility and transport solutions, this field of action makes a significant contribution to improving the quality of life in the city. That’s why we’ve also integrated it into our existing management system. The individual activities within this area of action are evaluated in connection with the respective targets of the responsible divisions. We also communicate in depth with representatives of cities and leading experts in the fields of urban development and transport development. Here too, we receive valuable suggestions and ideas for new strategic initiatives. In addition, we use their feedback in order to continuously review and improve our concepts.

Results

During the reporting year, Urban Mobility Solutions launched or continued the following projects:

- **Mercedes-EQ City Abo:** This pilot project kicked off in Berlin and offers a solution for city-specific mobility concepts in the form of its electric mobility ecosystem.
- **Mercedes-Benz Road Safety Dashboard:** This digital tool identifies high-risk locations within London in order to make traffic safer for all road users.
- **Code The Streets:** This Europe-wide cooperation project is testing how locally relevant City-to-Car notifications can reach large numbers of road users in close to real time in order to improve traffic flow and safety.
- **On-demand shuttle service:** This shuttle service aims to reduce traffic congestion in the city of Liechtenstein, encourage drivers to switch to a more sustainable alternative and provide access to poorly connected regions.
- **Collaborative route guidance:** This pilot project in the Stuttgart area connects road users with one another in order to improve the general traffic flow by means of optimised route guidance.
- **Mobility Alliance for the Synergiepark Stuttgart** This alliance between government and local industry plans to use a variety of measures to make mobility in Stuttgart more sustainable, more efficient and more accessible for everyone.

Traffic Safety

Materiality and goals

GRI 103-1/-2

Target	Target horizon
Further improve accident-prevention systems.	Ongoing
Make vehicles even safer for occupants during an accident and afterwards.	Ongoing
Make vehicles even safer for other road users, such as pedestrians.	Ongoing
Increase overall traffic safety by means of safety initiatives.	Ongoing

Accident-free driving — this vision drives the Mercedes-Benz Group and is a fixed component of its sustainable business strategy. Our innovative (advanced) driver assistance systems already offer drivers and passengers a high level of safety and comfort today. These systems can support drivers in avoiding or safely managing critical situations on the road in order to protect vehicle occupants and other road users. System warnings and active brake applications are now increasingly preventing accidents or at least mitigating their consequences.

Automated driving systems have the potential to fundamentally change the nature of mobility — and improve it. At the same time, we need to keep the potential risks in mind. It is vitally important that we take not only functional aspects but also legal, ethical and data protection issues into account from the very beginning of the product development process.

Safety: Vehicle and vehicle surroundings

Strategy and concepts

Increasing traffic safety

GRI 103-1

Zero traffic fatalities by 2050 — that's the target of Vision Zero, which was a component of the 2018 coalition agreement reached by the former government. In addition, the Vision Zero target is one of the guiding principles in the revision of the German Road Traffic Regulations (StVO). The next milestone to be achieved on the road to Vision Zero is to reduce the number of traffic fatalities and critically injured individuals by 50 per cent by 2030 as compared to 2020. The safety and assistance systems that the Mercedes-Benz Group as a vehicle manufacturer has developed can make an important contribution to the achievement of this milestone and Vision Zero.

Safety is part of our DNA and one of our most important obligations — not just towards our customers but towards all road users. We aim to achieve the best possible accident safety results with a high degree of occupant protection and protection of other road users.

We therefore focus strongly on safety as early as the vehicle development stage. For decades, our in-house accident research has laid the foundation for innovative safety technologies and the development of more efficient systems. We plan to continue pursuing this approach in future as we increasingly integrate assistance systems into our vehicles. These systems are designed to prevent or to mitigate the effects of as many accidents as possible. We also continue to take measures that increase public awareness of the importance of traffic safety through education programmes and roadshows, for example, and we provide information on safety technology and innovations.

Real-life safety: Based on real-life accidents

Real-life safety is the safety philosophy at Mercedes-Benz. For more than 50 years now, our accident research experts have been systematically studying real accidents, as our goal is to build vehicles that offer effective protection not only in crash-test halls but also out on the road. While observing the principles of data protection we analyse real accidents and use the knowledge gained from such analyses to assess new technologies from a vehicle safety perspective. For example, accident data on vehicles with combustion engines have helped us identify the best possible location for installing batteries and high-voltage components in electric vehicles. Our accident research activities also determined that, depending on the location of the high-voltage systems, we also have to take into account the possibility that other road users could collide with the vehicle during the battery charging process. One of the results of these analyses is that the airbag control unit in the EQS now remains active during the battery charging process. In other words, the electric vehicle now automatically interrupts the charging process if a collision occurs.

As a result of our meticulous accident research activities, our vehicle safety requirements go beyond what is mandated by law in many cases.

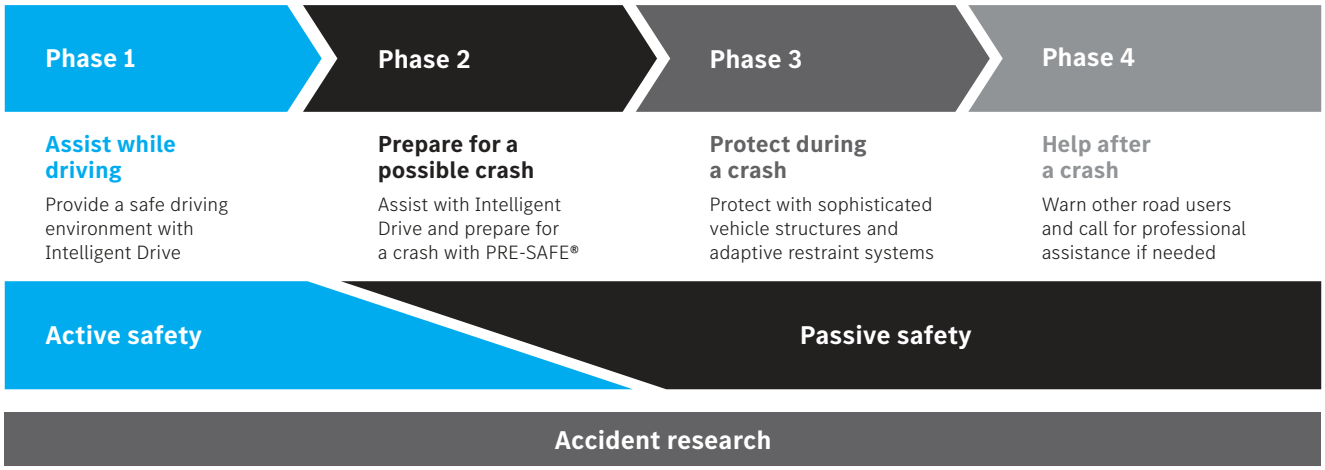
Holistic safety concept

GRI 103-2

The Mercedes-Benz Group employs the holistic Integral Safety concept in its vehicle development activities. We first used this concept in the late 1990s to describe how we had divided the utilisation of vehicle safety systems into four phases: "Assist while driving", "Prepare for a possible crash", "Protect during a crash" and "Help after a crash".

The safety philosophy at Mercedes-Benz

The integral safety approach



Our safety measures establish a bridge between active and passive safety within these four phases — i.e. between accident prevention (phases 1 and 2) and protection when an accident occurs (phases 3 and 4).

- **Phase 1: Assist while driving**
  Driver assistance systems that make driving safer, assist drivers and can help to prevent accidents. One example here is the Active Distance Assist DISTRONIC system.

- **Phase 2: Prepare for a possible crash**
  Safety/emergency systems that can warn, assist and engage automatically, as well as protection systems that can already be activated in the pre-accident phase (PRE-SAFE®). One example is Active Brake Assist, which we developed in different versions for cars and vans. This system, which is included as standard equipment, can, for example, help mitigate the severity of a collision with other vehicles, pedestrians or cyclists, or completely prevent such collisions to begin with.

- **Phase 3: Protection during an accident**
  Protection systems that can intelligently protect all vehicle occupants as required in the given situation. One example is offered by innovative restraint systems such as the beltbag and the rear airbag in the S-Class, which protect passengers in the rear seat.

- **Phase 4: Help after a crash**
  Systems that automatically switch on the hazard lights, ventilate the interior or call for help. Mercedes-Benz also provides important vehicle information in easily accessible rescue data sheets that make it easier for emergency services and rescue teams to do their jobs.

Measures

Driving assistance systems ensure greater safety on the road

GRI 416-1

"Real-life safety" is Mercedes-Benz's safety philosophy. Going above and beyond regulations and rating agency requirements, Mercedes-Benz analyses real driving situations and derives the requirements for its vehicles from the analyses. Here, all technical innovations are evaluated on the basis of the contribution they make to traffic safety.

Mercedes-Benz assistance and safety systems make driving both safe and comfortable. For example, Mercedes-Benz vehicles equipped with driver assistance systems support drivers when they steer, brake and accelerate (SAE Level 2). Mercedes-Benz is also going a step further towards automated driving, as we plan to equip the new Mercedes-Benz S-Class

Safety and driver assistance systems in the new EQS

Active Distance Assist DISTRONIC
- route-based speed adaptation
- with end of traffic jam function
- Active Speed Limit Assist
- Active Stop-and-Go Assist
- predictive adaption of set speed
- Adjustment of the set speed and acceleration for maximum range

Active Steering Assist
- Active Lane Change Assist
- Active Emergency Stop Assist
- Emergency corridor function

Active Brake Assist
- with vehicle / pedestrian / bicycle detection
- with cross-traffic function
- with congestion emergency braking function
- with turning manoeuvre function

Active Emergency Stop Assist
- Optional lane change by one lane at 80 km/h

Active Blind Spot Assist
- with vehicle exit warning function | Active ambient lighting | MBUX Interior Assistant

PRE-SAFE® Impulse side

DIGITAL LIGHT
- Adaptive Highbeam Assist Plus
- ULTRA RANGE High Beam
- with projection function

Active Parking Assist
- with PARKTRONIC
- with collision detection

Parking Package with remote parking functions
- Memory Park Assist
- Remote Park Assist

Car-to-X Communication

Active Lane Keeping Assist

Evasive Steering Assist

Preinstallation for INTELLIGENT PARK PILOT

PRE-SAFE® Sound

PRE-SAFE® PLUS

Parking Package with 360° camera
- with 3D view

Attention Assist
- with micro-sleep detection

Traffic Sign Assist
- Crosswalk warning function
- Wrong-way warning function
- Stop sign warning function
- Red light warning function

with the DRIVE PILOT system in future. This system enables conditionally automated driving (SAE Level 3) in certain situations.
↗ Results

Driver assistance systems can react differently to the danger of a collision, depending on the situation. One example here is the Active Brake Assist system in Mercedes-Benz cars, which comes as standard equipment in our current fleet. Active Brake Assist can help mitigate the consequences of or even prevent accidents with vehicles ahead and with pedestrians crossing the carriageway. If the system identifies the risk of a collision, it is able to issue visual and acoustic warnings to the driver. If the driver fails to react, Active Brake Assist can independently brake the vehicle when travelling at up to a certain speed. When the vehicle is travelling at urban traffic speeds, the system also reacts to stationary vehicles and pedestrians as well as cyclists crossing the carriageway, thereby enhancing the safety of other road users as well.

Accident research and crash tests

Mercedes-Benz has long been considered a safety pioneer — and still is, to this day. Mercedes-Benz conducted its first crash test back in 1959, and for more than 50 years now the brand's safety experts in the in-house accident research department have been analysing real accidents involving Mercedes-Benz vehicles. The results of internal crash tests and accident research activities are incorporated into the design of new models and are used to improve existing systems as well.

The goal here is to gain a better understanding of how accidents occur and which protective systems could have been used to prevent them. The analysis of real traffic accidents forms the basis for the development of innovative safety technologies and ever more effective systems. This is how the vehicle exit warning function in the Blind Spot Assist system was developed, for example. Here, a radar sensor system monitors the blind spot and can warn the occupants of approaching traffic — bicycles, for example — when the door is being opened.

Mercedes-Benz also uses state-of-the-art testing equipment to evaluate the crash safety of its vehicles and their systems at the Technology Centre for Vehicle Safety (TFS) in Sindelfingen. Mercedes-Benz employs computer simulations to improve the maturity level of test vehicles and safety systems even before the first crash test; this increases the efficiency of the development process. On the crash-test tracks at TFS, around 900 crash tests as well as approximately 1,700 sled tests can be performed annually.

In many cases, our high internal safety requirements go beyond what is mandated by law and beyond the requirements set by rating agencies. The load cases that are tested in the crash tests are also defined in part on the basis of the results of Mercedes-Benz accident research activities.

Working together to further improve vehicle safety

The goal of continuously increasing road safety can only be achieved though collaboration, which is why we enter into various partnerships and participate in research projects. Together with external partners, we are working to define standard procedures that can be used to predict the potential of new protection systems. We also want to work more closely with existing and new partners in order to continually improve and extend the ways accident and traffic data are collected and analysed.

Since 2016, we have been involved in the “Tech Center i-protect” strategic cooperation project, which includes partners from business and industry, government and scientific institutes. We are now conducting research into vehicle safety solutions together with Robert Bosch GmbH, the Fraunhofer Institute for High-Speed Dynamics, the Fraunhofer Institute for Mechanics of Materials, the Sustainability Center Freiburg, Cluster of Excellence SimTech at the University of Stuttgart, TU Dresden and Graz University of Technology. The cooperation agreement upon which this partnership is based was renewed by the project partners in autumn 2021 for another five years in the presence of Dr Nicole Hoffmeister-Kraut, Minister of Economic Affairs, Labour and Tourism of the German federal state of Baden-Württemberg.

Our activities within the project include research into new restraint systems for future vehicle interiors, for example. We are also utilising digital accident research methods and trying out new approaches, such as the use of X-ray technology in crash tests. The goal of this interdisciplinary cooperation is to network various projects in an agile manner in order to develop ideas and technologies from the fundamental research stage to the near market-readiness stage.

Ideas for the vehicle of the future

Mercedes-Benz has been building test vehicles known as Experimental Safety Vehicles (ESF) since the 1970s in order to analyse the performance of its safety systems. The ESF 2019 presents more than 20 new ideas from Mercedes-Benz, as well as new approaches in the field of active and passive safety, including near-series developments such as rear airbags, which are now available in the S-Class.

The ESF 2019 is a research vehicle that showcases a safety concept for future models that can be operated in an assisted mode (SAE Level 0–2) or as highly automated vehicles (SAE Level 4). The ESF 2019 will thus remain relevant over the next few years as well. Examples of future focal points for development include adapting the restraint systems to new seat positions and implementing cooperative functions in the highly automated driving mode (SAE Level 4) — i.e. communication between the vehicle and its surroundings.

Safety for high-voltage batteries and electric components

As is the case with fuel tanks in vehicles with combustion engines, the Mercedes-Benz Group pays special attention to safety aspects relating to high-voltage batteries and other electrical components in electric vehicles. A high degree of conceptual safety is guaranteed to begin with by virtue of the high-voltage battery’s especially protected installed location under the vehicle floor.

Additional safety specifications go beyond legal requirements and increase intrinsic safety. For example, special shielding in the vehicle underbodies of our electric vans — the eVito, the eSprinter and the EQV — ensures particularly high resistance to mechanical damage from external sources. The powertrain, the high-voltage battery and all of the high-voltage lines are embedded in a protective structure. All high-voltage lines are extensively insulated.

Our vehicles are also equipped with a multi-stage safety system that includes temperature and voltage monitoring features, among other things, and can also shut down the batteries in an emergency. If the vehicle systems detect a severe impact, all live components outside the battery are shut down in either a reversible or an irreversible process, depending on the situation. The residual energy in the components is also rapidly reduced to a safe level. In addition, the vehicles are equipped with a high-voltage disconnect device that emergency teams can use to deactivate the power supply manually. The location of the high-voltage disconnect device varies depending on the vehicle in question and can be found in each vehicle's rescue sheet.

Mercedes-Benz Vans: Assistance systems ensure a high degree of safety

Mercedes-Benz is also building on its high safety standards in the van segment. Whether it's the Sprinter, the Citan or the Vito, the models from Mercedes-Benz Vans are equipped with a wide variety of advanced safety and assistance systems. These systems improve comfort and can help to mitigate the severity of accidents or prevent them from happening altogether.

For example, the Mercedes-Benz Sprinter is fitted with the radar-based Distance Assist DISTRONIC system and features Crosswind Assist as standard. The latter makes driving safer particularly at higher speeds. Since 2021, the Mercedes-Benz Vito has been fitted with a digital rearview mirror. Thanks to an HDR camera in the rear window, the camera provides the driver with a clear view of the area behind the vehicle, despite visual obstacles such as a fully loaded cargo bay.

We're taking things another step further with the Mercedes-Benz SUSTAINEER. This technology vehicle, which is based on the eSprinter, has two electric mirror cams instead of conventional large exterior mirrors. The mirror cams greatly increase the field of vision and thus the safety of the driver and other road users such as pedestrians and cyclists. The SUSTAINEER can also identify road conditions using a camera. Here, Artificial Intelligence systems in the Mercedes-Benz Cloud detect and analyse damage to the carriageway, such as large potholes; this makes it possible to recognise potential hazards in advance. The data thus collected can also be made available to cities, municipalities and traffic reporting services, for example, which would help increase road safety in general.

↗ The next-generation eSprinter

Increasing awareness of the importance of traffic safety

As a socially responsible company, the Mercedes-Benz Group actively addresses important social issues. A variety of projects that focus on traffic safety are also important to us in this regard.

Making children more aware of traffic safety issues

Children are among the road users who are most at risk around the world. That is why we established our MobileKids initiative back in 2001. This initiative teaches children between the ages of six and ten how to stay safe in road traffic. More specifically, MobileKids offers training courses and teaching materials worldwide in local languages and also stages activities that make children more aware of the challenges and dangers on roads and streets.

↗ Making children more aware of traffic safety issues

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

Systematic accident research forms the basis of the ability to prevent accidents in an even more targeted manner in future and offer better protection to vehicle occupants. Our goal is therefore to expand our accident research activities. For example, our experts will continue to study actual accidents involving Mercedes-Benz models, and we will also work even more closely with existing and new partners and analyse anonymised accident data from around the world while observing the principles of data protection.

Results

Mercedes-Benz car models repeatedly earn top marks in safety tests conducted by independent institutes. Of particular note in this regard are the ratings Mercedes-Benz regularly receives from the American Insurance Institute for Highway Safety (IIHS). The IIHS rating assesses both crash safety and accident-prevention and lighting systems. The Mercedes-Benz C-Class,

E-Class and GLE-Class received the IIHS “2021 TOP SAFETY PICK+” distinction for the 2021 model year, while the GLC was given the “2021 TOP SAFETY PICK” distinction. In addition, both the EQA (2019 version, compact SUV category) and the EQS (2021 version) were awarded five out of five possible stars by EuroNCAP during the reporting period. The EQS was even named “Best in Class” twice: in the categories “Executive” and “Pure Electric”, which means all EQ models launched on the market in 2021 received the highest possible ratings.[1]

1 Test results according to IIHS: E-Class, GLE, C-Class, GLC; test results according to Euro NCAP: EQA, EQS

Automated Driving

Strategy and concepts

Opportunities and challenges

Fewer accidents, greater traffic safety: this is one of the aims that is accompanying the utilisation of automated and autonomous vehicle systems. The potential improvement of traffic safety is not the only benefit offered by automated driving systems. The technology can also enable efficient, resource-saving traffic and can also help to reduce emissions.

Automated driving systems can also make road freight transport safer, since most accidents in the road freight transport sector are likewise caused by human error. For example, automated driving systems can support drivers in demanding driving situations and on long, monotonous trips.

Despite all the benefits, care is required, because ethical and legal risks including data-protection risks must also be taken into account as automated driving systems are developed further. The Mercedes-Benz Group does this as early as the product development stage. An important consideration here is the responsible use of Artificial Intelligence (AI). AI as a component of self-driving vehicles is particularly important with regard to machine learning, since, among other things, it helps the system to quickly and reliably identify objects and situations in or next to the carriageway.

We are convinced that the only way we will be able to gain social acceptance for new technologies — and thus lay the foundation for a new age of mobility — is through the interaction of product safety features, legal standards, data protection, data protection legislation and ethical considerations.

Ethical aspects also form the basis for the acceptance and safety of our vehicles

1. We support the paradigm shift to increased vehicle autonomy while taking social and ethical aspects into account.
2. Safety is our top priority, with holistic and sustainable responsibility for all road users.
3. That's why we are developing our automated and connected vehicles on the basis of high legal and technical standards and on the basis of ethical principles.

Leading role in automated driving

The Mercedes-Benz Group seeks to play a leading role in the field of automated systems. In order to achieve this goal, equal emphasis must be placed on technical, legal and ethical aspects, and for this reason we are implementing data-protection principles and standards along the entire value chain in accordance with the "privacy by design" principle. We are also integrating societal and ethical considerations into conditionally automated and highly automated driving systems through the use of our "ethics by design" concept. We support the establishment at national and international levels of a reliable legal framework, technical standards and ethical guidelines relating to the use of the new technology. We also promote a broad-based public and political dialogue on the topic of automated driving.

The vision of the new S-Class from Mercedes-Benz shows how we are already putting our plans into action, as the DRIVE PILOT for conditional automation

(SAE-Level 3) and the INTELLIGENT PARK PILOT for high automation and highly automated driverless parking (SAE-Level 4) are to be used for the first time in this model.
↗ Results

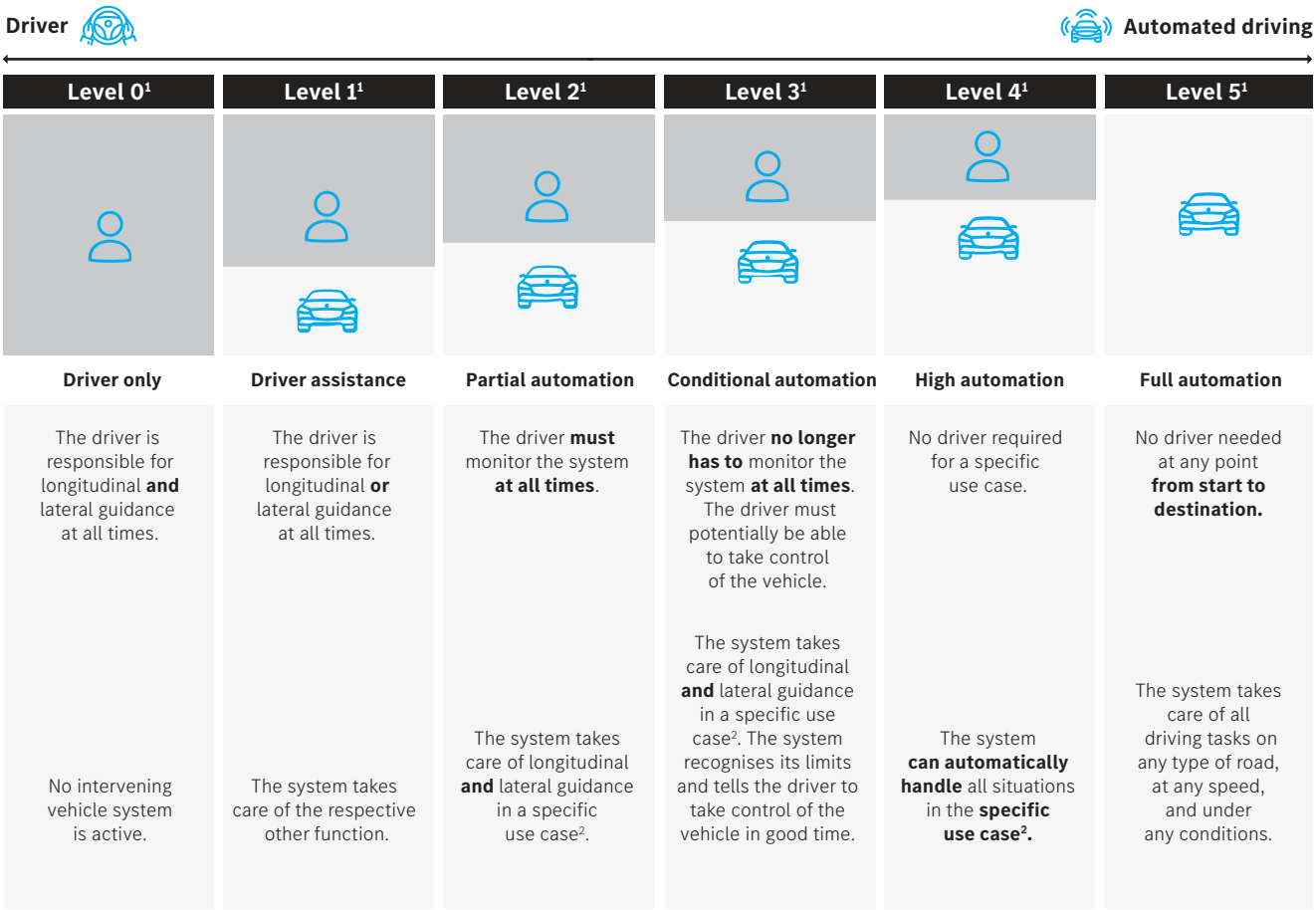
Uniform regulations and legal basis

New technologies require legal certainty. That's why the Mercedes-Benz Group is a member of national and international bodies and associations that promote the establishment of consistent legal standards for automated driving. We seek to support the development of a uniform framework for automated driving systems — both for the associated technical certification and for legal certainty and compliance with all relevant laws when in operation.

In Germany, the legal basis for the use of automated driving systems is defined by the automated driving amendment to the German Road Traffic Act (StVG), which came into force in 2017 and allows for the use of conditionally automated driving systems (SAE-Level 3). We welcome this amendment because it makes Germany one of the first countries to provide a legal basis for further technological developments.

A further amendment to the German Road Traffic Act was made with the adoption of the Act on Highly Automated Driving (SAE-Level 4) in July 2021. This act established a legal basis for both the technical certification of automated driving systems and the driverless operations of vehicles. In accordance with the amendments to the law, vehicles with automated driving functions must be equipped with technical systems that enable the vehicle to autonomously (i.e. without a driver) execute driving functions within a defined scope of operation.

The various technology stages on the road to autonomous driving



1 We use the designations of the VDA in the original German; in English we follow the terminology of the SAE. The descriptions used are those of the VDA.
2 Use cases encompass specific types of roads, speeds and conditions.

We believe that applicable road traffic laws and regulations also need to be further developed in other countries, as this is the only way to ensure legal certainty for the use of conditionally automated and highly automated systems (SAE-Level 3 and SAE-Level 4).

Several countries have in the meantime created legal frameworks or initiated legislative processes regarding the use of automated driving systems. If this technology is to be launched on the market, amendments have to be made to respective national traffic laws; measures will also have to be taken to make it possible to approve and register conditionally and highly automated driving systems for actual use on the road.

The Automated Lane Keeping System (ALKS) UN regulation came into force in January 2021. In conjunction with the amended German Road Traffic Act, the regulation will make it possible to launch initial conditionally automated systems for use in traffic jam situations on motorways in Germany.

In order to enable the cross-border use of automated cars, international harmonisation of the relevant legal regulations will also be necessary. These should be as compatible as possible and include the same technological requirements. This also involves the issue of how the data needed to ensure the proper operation of automated driving systems should be handled. One example is the technical regulation of the data recorder for automated driving systems. This unit is subject to technical requirements specified in, for example, the UN's ALKS regulation and is required by law for the operation of automated driving systems in Germany. Among other things, this device records when an automated system was activated and when the driver resumed manual control of the vehicle. In addition, experts within the EU are discussing the data collection principles that are also relevant for data storage during automated driving — an example of this is the Data Governance Act. In addition, a public consultation process on this issue is currently under way under the auspices of the European Automobile Manufacturers' Association (ACEA), and the Mercedes-Benz Group is participating in this process. We support this effort and emphasise the importance and necessity of ensuring data security in such recording technologies.

Responsible product development

The development of automated driving systems presents special challenges. This is why the automotive divisions of Mercedes-Benz Cars & Vans make use of the instruments in our technical Compliance Management System (tCMS). Our objective is to identify risks within the product creation process (product development and certification) at an early stage and to implement preventive measures. The tCMS defines values, principles, structures and processes in order to provide our employees with guidance and orientation especially with regard to challenging questions on how to interpret technical regulations.

We have formulated specific guidelines for vehicle behaviour for conditionally and highly automated driving systems, for example. Complex questions in this area are examined and answered in an interdisciplinary process that takes technical, legal, ethical and certification criteria into account — for example with regard to the question as to which measures we use to assess our automated driving systems with respect to safety, as well as their compliance with traffic regulations. The tCMS units have decided, for example, that our automated driving systems should include the latest technology developments and that their reaction capabilities should be aligned with those of "exemplary drivers". We understand "exemplary drivers" to refer to road users who are fit to drive and attentive, comply with all traffic regulations and do not behave in a grossly negligent manner. This recommendation has since been codified in an Automated Driving Guidance benchmark for the development of conditionally and highly automated driving systems.

If vehicles already in use by customers exhibit anomalies with regard to safety, conformity or emissions, our processes for evaluating and regulating such situations come into play. This can involve the implementation of specific customer service measures and, if necessary, vehicle recalls.
↗ Compliance with technical and regulatory requirements

In addition to meeting the legal, certification-relevant and technical requirements we also comply with ethical principles and further internal rules and regulations such as the principles of our data vision and our AI principles

for the responsible use of Artificial Intelligence systems. These principles and regulations are incorporated into the requirements for software applications and hardware components in relation to social aspects. The principles are based on our corporate values and have also been incorporated into our Integrity Code.

In addition, our product-development activities are guided by the German government's Ethics Commission's 20 ethical rules for automated and connected driving. We also take into account draft proposals and resolutions relating to planned regulations and standards, and thereby take account of the dynamic developments in the area of automated driving. Furthermore, we also comply with external guidelines such as those formulated by AI4People, the Institute of Electrical and Electronics Engineers (IEEE) and the High Level Expert Group on Artificial Intelligence (EU).

Integrated approach

The Mercedes-Benz Group uses an integrated approach to answer the technical, social, ethical and legal questions relating to automated driving. The participants are an integrated team that includes experts from research and development, product safety and quality management — and also experts from the Integrity and Legal Affairs Board of Management division. The team works with engineers, legal advisors and specialists in data protection, compliance, social sciences and philosophy to assess the potential impact of new technical developments. It also increases awareness of complex social and legal issues and develops and implements new solutions. The topics addressed include the responsible use of data in programming processes and the possible changes to behaviour in urban environments that might be brought about by the use of new technologies. The objective of this approach is to increase both the safety and the acceptance of our products.

Among other things, the German Road Traffic Act (StVG) and the German Road Traffic Regulations (StVO) have been translated into a system language. This was necessary because although the fact that the German Road Traffic Act and the German Road Traffic Regulations essentially define the currently valid road regulations in Germany, most of their elements are not designed to be used as a template for programming technical systems. Group-wide cooperation on this issue has led to the formulation of special driving and system requirements that help us to ensure that our systems are able to comply with the various requirements relating to legal and ethical issues, product safety and certifications.

Comprehensive data protection is also important for ensuring public acceptance of automated driving systems. This is why we involve our data protection experts in our concept development processes at a very early stage. The goal here is to develop data-protection-friendly concepts in accordance with the privacy by design principle, which involves taking data protection aspects into account at an early stage of the design process. This aims to minimise data protection risks from the outset and avoids the need to add data protection measures later on. Basically, the idea is to develop attractive data-protection-friendly solutions that combine comfort, functionality and effective data protection. Privacy by design means focussing on the user and pursuing the goal of contributing to a good customer experience with the help of data protection features — for example by consistently applying principles such as transparency and self-determination.
↗ Data responsibility

Measures

Open dialogue

We promote an open dialogue between business and consumer associations, government authorities, industry representatives and society at large, because we believe that a broad-based social discussion is a prerequisite for the acceptance of automated driving systems.

Since 2015, we have been using the annual Sustainability Dialogue to discuss ethical, legal and social questions that arise in connection with automated driving systems. The most recent Sustainability Dialogue took place as a digital event on 17 and 18 November 2021. Among other things, participants in the Traffic Safety working group at the event discussed traffic safety in cities in future and the role intelligent vehicles will play in infrastructure. All of them agreed that traffic safety remains one of the key central issues for the future orientation of our sustainable business strategy.

With regard to safety in cities in future, the participants

defined two key focus areas that we plan to address together with governments, society and research in 2022.

- The needs and requirements relating to future mobility vary across different countries, cultures and population groups. It is therefore clear that a range of solutions will be needed to ensure safety in various cities around the world. With this in mind, our goal is to work with external stakeholders to identify possible country-specific features. We also plan to continue incorporating ethical and social aspects into our vehicle development activities.

- The participants in the working group also expressed their desire to see the Mercedes-Benz Group participate more extensively in the public debate on — and the development of solutions for — sustainable mobility and traffic safety in cities. We firmly believe that legal certainty is a fundamental prerequisite for the concrete implementation of mobility solutions. Here as well, we plan to work more closely and intensely with cities and research institutions in order to bring together various perspectives.

Involvement in committees and associations

The Mercedes-Benz Group is a member of numerous national and international committees and associations, including the German Association of the Automotive Industry (VDA), the European Automobile Manufacturers' Association (ACEA) and the working groups of the United Nations Economic Commission for Europe (UNECE). Within the framework of these memberships, we participate in consultation processes regarding new legislation and share ideas and information with political decision-makers.

- In July 2021, the law on autonomous driving came into force in Germany. This new law enables the operation of vehicles with SAE-Level 4 automated systems. Within the framework of a VDA working group, we participated in the interdisciplinary discussions that were held prior to the passage of the new law. Our contribution here focussed on legal and certification aspects.

- At the end of April 2021, the European Commission published the world's first regulation proposal to specifically address Artificial Intelligence (AI). Together with other OEMs, the Federation of German Industries (BDI) and the ACEA, we published a commentary on the draft of an associated Artificial Intelligence Act.

- The white paper Ethics and Artificial Intelligence was published in September 2020. Among other things, this white paper recommends the use of several assessment criteria to ensure that AI applications do not infringe upon human autonomy.

- The ideas outlined in the white paper with the title Safety First for Automated Driving (SaFAD) that we published in 2019 together with leading companies from the automotive and supplier industries continued to be incorporated into international standardisation processes. The twelve main principles presented in the white paper were used as a basis for the ISO Technical Report TR 4804, which we helped to produce and which was published in 2020. Plans now call for the principles to be described in further detail as ISO Technical Specification TS 5083.

- Since July 2019 we have been participating in the research association for Verification and Validation Methods for Automated Vehicles SAE-Level 4 and 5 (VVM). This association basically picks up where the Project for the establishment of generally accepted quality criteria, tools and methods as well as scenarios and situations (PEGASUS), which was funded by the Federal Ministry for Economic Affairs and Energy, left off. PEGASUS was completed in 2019. The association has set itself the goal of developing systems and methods for the safety verification of highly automated and fully automated vehicles and driving functions.

- Since 2019 we have been participating in the ISO TC/241 WG6 through the DIN Standards Committee Road Vehicle Engineering mirror group. The topic of the working group is "The development of recommendations for ethical considerations in connection with autonomous vehicles". The idea here is to firmly establish an ethical perspective in the development process for automated vehicle systems. The International Organization for Standardization (ISO) plans to publish the recommendations in 2023.

- The Mercedes-Benz Group joined the Automated Vehicle Safety Consortium (AVSC) in April 2019.

This consortium develops safety principles for automated driving, with a focus on safety tests before and during the use of automated vehicles, data processing and protection and the interaction between automated vehicles and other road users.

Public discussions

Automated driving systems will only be approved for road use if they can meet very stringent safety requirements. This is why the Mercedes-Benz Group is working hard to define the technical standards needed here. The results of the PEGASUS and VVM projects with regard to testing methods and the approval of automated driving were presented publicly on a regular basis — and this transparency is what makes it possible to conduct the necessary discussions with relevant stakeholders. We are still supporting the projects and will continue to do so. Our goal here is to derive standards for the safety verification of automated driving that are as globally uniform as possible, and which are accepted by as many countries as possible — for example within the framework of our activities in the International Organization for Standardization (ISO).

↗ Involvement in committees and associations

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

The sound decisions made in our development projects form the foundation for ensuring the safety and technical compliance of our products. Many legal provisions and regulations are still being worked on for future developments in automated driving. Interdisciplinary expert and decision-making committees at Mercedes-Benz Cars & Vans always use existing legal requirements as a basis for defining the in-house requirements for the design of products that are used in automated driving systems.

In addition, all employees at the development departments can submit technical compliance questions to the responsible tCMS units, which then make their decisions within the framework of an interdisciplinary process. During the reporting year, the established tCMS units used this interdisciplinary process to deal with questions related to automated driving.

Results

With the DRIVE PILOT, Mercedes-Benz is aiming to take the decisive step toward conditionally automated driving (SAE-Level 3). It plans to go a step further with the INTELLIGENT PARK PILOT in order to make highly automated driverless parking (SAE-Level 4) possible in the future. The sales release for the DRIVE PILOT in Germany is expected to be within the first half of 2022. This means Mercedes-Benz customers will then be able to turn the task of driving over to vehicle systems in a production model in certain situations. The EQS equipped with the DRIVE PILOT will also be launched in 2022.

Mercedes-Benz is the world's first automaker to fulfil the demanding legal requirements of the internationally applicable UN Regulation 157 for a SAE-Level 3 system[1]. Germany's Federal Motor Transport Authority (KBA) issued the system approval on the basis of technical approval regulation UN R157. In doing so, it has fundamentally enabled us to offer such a system internationally[2], provided the respective national legislation allows this. Beginning in the second half of 2022, customers will probably be able to drive the Mercedes-Benz S-Class in conditionally automated mode on SAE-Level 3 with the DRIVE PILOT in congested traffic, or in traffic jams, on suitable motorway segments in Germany.

Mercedes-Benz is going a step further with parking, as the preinstallation for the INTELLIGENT PARK PILOT prepares the S-Class for driverless, highly automated parking (automated valet parking — AVP; SAE-Level 4). Together with the necessary optional equipment and the corresponding Connect service (country-dependent), certain variants of the new S-Class have the technology on board for highly automated parking and unparking without a driver in car parks equipped with AVP infrastructure[3], provided the authorities have approved it for use.

1 SAE-Level 3: The automated driving system takes over certain driving tasks. However, a human driver is still needed. The driver must be able to take control of the vehicle whenever requested to do so by the system.
2 ECE signatory countries (57) including EU countries, the UK, Japan, Korea and Australia.
3 It only assists the driver to pull out of a parking space if it previously assisted the driver

Human rights

Materiality and goals

GRI 103-1/-2

Target	Target horizon	Status as of 2021
Define and implement appropriate protective measures for addressing 100 per cent of our production raw materials that harbour a higher risk of human rights violations	2028	
Milestone: Review 70 per cent of all the production raw materials we use that pose an increased risk of human rights violations and define any necessary remediation measures	2025	
Milestone: Examine 40 per cent of all raw materials posing an increased risk	2022	
Milestone: Examine 30 per cent of all raw materials posing an increased risk	2021	31 per cent
Review 100 per cent of the commodities from the services supply chains that pose an increased risk of human rights violations	2026	24 per cent

The goal of the Mercedes-Benz Group is to combine achieving business success with acting responsibly toward the environment, people and society — and doing so along the entire value chain.

The United Nations Guiding Principles on Business and Human Rights, which had been passed unanimously by the UN Human Rights Council, celebrated their tenth anniversary in 2021. We are committed to these principles, which describe how companies are responsible for respecting human rights.

In addition, the German Bundestag und Bundesrat passed the Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz - LkSG) in the reporting year. This law will take effect in 2023.

The expansion of electric mobility in particular is further increasing public interest in respect for human rights in automotive supply chains, because the production of battery cells requires the use of raw materials such as lithium and cobalt. These raw materials often come from countries where there is a risk that they are mined under conditions that could be critical from a human rights standpoint.

In addition to the interest expressed by consumers and civil society organisations, we are also observing increasing interest in human rights issues by shareholders, investors and rating agencies. Indeed, human rights issues are increasingly having an influence on investment decisions.

For us, respect for human rights is a fundamental component of responsible corporate governance. The goal is clear: we only want products that have been produced without violating human rights. We are committed to ensuring that human rights are respected and upheld in all of our Group companies as well as by our business partners and suppliers. To ensure that this is the case, we have developed a due diligence approach called the Human Rights Respect System (HRRS).

We are firmly convinced that we can only be successful over the long term if we fulfil our corporate responsibility for respecting human rights on both the local and global level.

Strategy and concepts

Obligation and mission

GRI 103-2

Respect for human rights has key importance for the Mercedes-Benz Group and is an obligation as well as a mission for us. We have therefore made upholding human rights an area of action of our sustainable business strategy and have provided measurable targets and key figures for our approach to human rights.

The Mercedes-Benz Group respects the internationally recognised 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
- UN Global Compact Principles
- OECD Guidelines for Multinational Enterprises[1]

This is contained in our Principles of Social Responsibility and Human Rights. In order to implement international standards, we introduced the Human Rights Respect System (HRRS), which enables us to fulfil our human rights due diligence obligations along the entire value chain.
↗ Assessment of human rights risks

Our Principles

Respect for human rights is a fundamental component of responsible corporate governance at the Group. We are committed to ensuring that human rights are respected and upheld in all of our Group companies and also by our partners and suppliers. Our Principles of Social Responsibility and Human Rights, which were adopted in September 2021, reflect this voluntary self-commitment.

All of the relevant specialist units contributed to the creation of these Principles. Internal human rights experts were involved and we also incorporated the viewpoints and expertise of external stakeholders. The stipulations of the aforementioned international standards and the Act on Corporate Due Diligence in Supply Chains were also taken into account.

The Chairman of the Board of Management and other members of the then Board of Management of Mercedes-Benz Group AG signed our Principles of Social Responsibility and Human Rights, as did the members of the General Works Council, the World Employee Committee and IndustriALL Global Union. They supplement and specify the principles of human rights and good working conditions in our Integrity Code.

With the Principles, we commit to prevent, and as far as possible bring to an end and mitigate, adverse impacts on human rights within our business operations around the world. Beyond our own Group companies, we also work to ensure that our business partners, especially direct suppliers, respect human rights. We also call on indirect suppliers to do so and take corresponding measures. We are continuously enhancing the Principles and regularly adapting them as appropriate and needed to the results of the risk assessments in accordance with the HRRS. The Principles were communicated to all employees at Mercedes-Benz Group as well as controlled Group companies. Moreover, they are publicly available in a total of 12 languages.

Requirements for suppliers

The Mercedes-Benz Group is committed to the responsible procurement of production and non-production materials as well as services.

The Supplier Sustainability Standards serve as the guidelines for our sustainable supply chain management system. They define our requirements for working conditions, respecting and upholding internationally recognised human rights, environmental protection, safety, business ethics and compliance. These requirements are referenced in the supplier contracts. The Supplier Sustainability Standards focus on the following human rights aspects:

1 Chapter IV (Human Rights) of the OECD Guidelines for Multinational Enterprises

- Free choice of employment
- Condemnation of child labour
- Equal opportunity and non-discrimination
- Freedom of association and the right to engage in collective bargaining
- Health and occupational safety
- Fair remuneration, working times and social benefits

We require that our direct suppliers acknowledge these sustainability standards, communicate them to their employees and to their upstream value chain suppliers and ensure their commitment as well. We also expect them to check whether minimum standards are complied with.

For this purpose, Mercedes-Benz AG developed a prototype blockchain in a pilot project. This blockchain enables users to forward information and documents such as certificates and codes of conduct along their supply chains transparently and in a traceable manner. Mercedes-Benz Cars & Vans has continued to pursue this approach as part of the Europe-wide partnership project Catena X since 2021.

In addition to our Supplier Sustainability Standards, our sustainability requirements are also enshrined in contracts. For example, our special procurement conditions — the Mercedes-Benz Group Special Terms — require suppliers to establish processes that ensure the fulfilment of human rights due diligence obligations in accordance with the provisions of the UN Guiding Principles on Business and Human Rights and the relevant OECD guidelines and principles. We also reserve the right to examine and audit these processes. In addition, suppliers are required to inform us of any human rights risks they have identified and countermeasures taken. They must also disclose to us upon request any risk hotspots that exist along their supply chain.

Other examples of our contractual requirements include humane wage levels, the voluntary nature of work, women's rights and equal treatment, as well as the right to unionise. These are briefly described below.

Freedom of association and collective bargaining
In accordance with our Supplier Sustainability Standards, suppliers must recognise their employees' freedom of association and effectively acknowledge their right to collective bargaining. Employees must be able to openly discuss working conditions with the corporate management without fear of retaliation. Moreover, suppliers must respect the right of employees to organise, to join a trade union, to appoint representatives and to be elected to a representative body.

These rights are also contained in the contracts we conclude with suppliers. The ILO Conventions number 87 and 98 are of utmost importance here.

Women's rights and equal treatment
In our Supplier Sustainability Standards, we require suppliers to provide equal employment opportunities and refrain from any kind of discrimination. Among other things, employees may not be disadvantaged because of their ethnicity, origin, nationality, skin colour, religion, worldview, political and trade union activity, gender, sexual orientation, age, disability, illness or pregnancy.

Our contracts with suppliers also stipulate that they have to commit themselves to take measures in order to avoid discrimination as defined by the ILO Conventions number 111 and 100.

Fair wages
In accordance with our contracts, suppliers must ensure that remuneration and benefits are paid in compliance with the basic principles relating to minimum wages, overtime and legally prescribed social benefits.

Forced labour
According to our Supplier Sustainability Standards, forced and compulsory labour is not permissible. Our contracts also stipulate that suppliers may not employ anyone against their will or force anyone to work. According to our contracts, suppliers must ensure that employees have the right to quit their jobs, provided they adhere to an appropriate notice period. Moreover, they may not require employees to hand over their IDs, passports or work permits before they are allowed to work. Suppliers are especially required to abide by the requirements of ILO Convention number 29. They also have to impose such requirements on

their own suppliers and sub-suppliers and conduct corresponding checks.

Organisational embedding

GRI 103-2

The Social Compliance department serves as our Centre of Competence for human rights. In order to ensure effective implementation of our human rights due diligence approach, which is known as the Human Rights Respect System, this department works closely with the specialist units responsible for operational implementation, in particular with the procurement units.

Group-wide activities relating to human rights issues are managed by the Integrity and Legal Affairs Board of Management division at Mercedes-Benz Group AG. The responsible member of the Board of Management further develops this topic according to a dedicated target agreement and in consultation with the procurement units. Moreover, this member regularly obtains information and corresponding reports about our human rights activities from the Chief Compliance Officer and the Social Compliance department.

Furthermore, our Principles of Social Responsibility and Human Rights stipulate that the responsible specialist units report to the Group Sustainability Board (GSB), which consists of the Board of Management members who are responsible for sustainability and monitors the implementation of our Principles. To this end, reports on human rights are made to the GSB every year and for specific cases. In addition, the GSB uses specially developed key performance indicators to review the progress of our human rights approach within the context of our sustainable business strategy four times a year.

Relevant procurement units also provide information on their respective human rights compliance measures to the Procurement Council and the Board of Management members who are directly responsible for the units in question. The Procurement Council generally meets once each quarter. It consists of the heads of the Mercedes-Benz Group's procurement units.

Strategic decisions concerning human rights issues are taken by the Board of Management as a whole. It is in charge of human rights issues and is regularly informed about these by all the participating senior executives with specialist responsibility in this field. During the reporting year, the following issues were discussed with the Board of Management: the presentation of and vote on the Principles of Social Responsibility and Human Rights, the progress made by the raw material assessments, the integration of human rights into our own units, and the plans of the Initiative for Responsible Mining Assurance (IRMA). The Board of Management also informs the Supervisory Board about sustainability issues such as human rights and labour standards at regular meetings.

In 2020 the Board of Management of Mercedes-Benz Group AG decided to make human rights-related annual target relevant for remuneration. This means that the variable remuneration of our managers and the Board of Management members now depends, among other things, on whether our own human rights targets have been achieved. The basis for this is the KPI for the implementation of the assessments of production-related raw materials that pose a high risk of human rights violations.

↗ Sustainable corporate governance

Assessment of human rights risks

GRI 103-2 GRI 412-1/-2

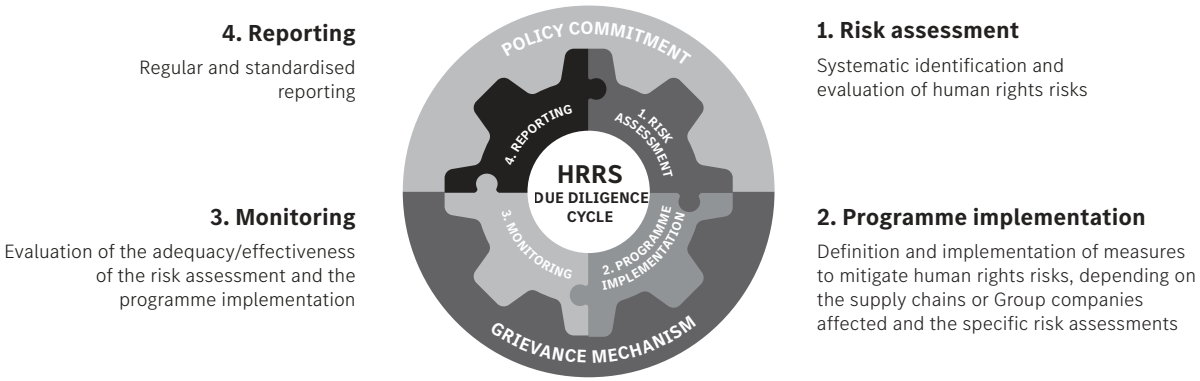
The Human Rights Respect System (HRRS) backs up the Company's approach to implementing its human rights due diligence obligations. This comprehensive due diligence approach encompasses the identification and assessment of our human rights risks, the definition and implementation of measures, the handling of risks and the monitoring of measures taken. We use this approach to review both our Group companies as well as our tier-1 suppliers and, risk-based, sub-suppliers beyond tier 1.

The HRRS is to be understood as a due diligence cycle that basically consists of four phases: 1. Risk assessment, 2. Programme implementation, 3. Monitoring and 4. Reporting. It is designed to identify risks and potential and actual negative effects of our business activities on human rights early on, to systematically avoid them and, if necessary, to initiate appropriate measures.

In addition, the company's Business Practices Office (BPO) whistleblower mechanism helps us to identify

and assess our human rights risks. The BPO protects not only the rights-holders but also the company. As a result, the HRRS also includes consultations and discussions with rights-holders — for example, with our employees and their representatives, as well as with external third parties such as civil society organisations and local residents. We want to communicate with potentially affected rights-holders or their representatives before there is cause for complaint and to take their interests into account.

The Human Rights Respect System (HRRS)



Our due diligence approach to respecting and upholding human rights in four steps

External stakeholders are also regularly involved as we continue to expand the HRRS step by step. The stakeholders include rights holders such as our employees and their representatives, as well as local residents. We also hold talks with international NGOs and other organisations concerning the human rights risks arising from the extraction of certain raw materials. For example, we are in touch with NGOs regarding the raw materials cobalt, mica, lithium, aluminium, copper and leather, and we have also asked them for their opinion regarding the measures Mercedes-Benz Group AG has taken to date. In addition, we have asked them to make suggestions for corrective measures and to show us alternatives that help to improve the situation of the affected individuals or communities. The scope and frequency with which we ask NGOs and other civil society organisations for advice depends on the issue in question and the stage of our risk assessment.

Identifying human rights risks

The Mercedes-Benz Group has addressed the human rights issues that are most important for the company in its Principles of Social Responsibility and Human Rights as well as in its supplier requirements. We identified the corresponding topics in human rights impact assessments on the basis of the UN Guiding Principles. In the first step we prioritised the review of all units and supply chains that are associated with our main business activity, automobile production. The legal frame of reference that is relevant for us encompasses all internationally recognised human rights within the context of automobile production, but especially the Core Labour Standards of the ILO and the Universal Declaration of Human Rights. Based on this impact assessment, we identified the most important human rights topics for us:

- Equal opportunity and non-discrimination
- Freedom of association and collective bargaining
- Health and safety
- Fair remuneration and working times
- Forced labour
- Child labour
- Protection of human rights defenders

- Protection of local communities and indigenous peoples

- Security personnel and the protection of human rights

The derivation and the set priorities of human rights risks differ depending on their category, i.e. the respective Group company or supply chain. We regularly discuss the approach for each category with relevant external stakeholders in our annual Sustainability Dialogue. The approach is described in depth below. In this description, we take special account of the reference documents that we drew on for the derivation. We refrain from reiterating the key human rights issues summarised above.

With respect to our Group companies, this initially means that we have used a matrix of country risk and business model. Because human rights risks are often associated with weak governance structures and a high risk of corruption, we assessed the respective country risk on the basis of recognised indices. We then took a closer look at the business model of the respective Group company. In doing so, we were guided by the severity approach of the UN Guiding Principles and evaluated all Group companies according to the scale, the scope (the number of people affected), the remediability and the likelihood of occurrence of a potential human rights violation. Depending on the country and business model, this creates different risk areas for the identified companies which are taken into account and evaluated in a standardised way through regular official surveys as part of our Compliance Management System since 2020. In this context, the particularly relevant risk areas that were identified were employee rights, diversity, non-discrimination, security and local risks at the company locations.

The derivation of the key human rights risks in the relevant supply chains differs from the approach used for our own Group companies: due to the number and depth of existing supply chains, additional risk filters and interim steps were needed.

In automobile production, the main human rights risks are not necessarily on the level of direct contractual partners but instead are increasingly found in the deeper supply chain. The key human rights risks differ depending on the type of supply chain. In order to fulfil the requirements of the UN Guiding Principles and prioritise the most severe human rights risks in line with our business activities, we have analysed the raw materials and services supply chains separately due to their different characteristics.

In order to identify the main human rights risks in raw materials supply chains, we first analysed the raw materials that are in a vehicle. These were then checked against the US Department of Labor's Child Labor List, among others. We have prioritised the resulting raw materials in a number of steps. The criteria here included the human rights and environmental risks in the countries where the raw materials are mined, the relevance of the raw material for the transformation to electric mobility, the functional relevance of the raw material in essential components and the volume of procurment. The result is a list of 24 raw materials that are associated with increased human rights risks and that have to be reviewed step by step for each supply chain. In-depth internal research on the basis of official reference documents such as the Child Labour List, consultations with NGOs, and risk profiles that were created by external specialised service providers served as the foundation for identifying the key human rights risks for each raw material. A detailed listing of the general risks connected with certain raw materials and a supply chain-specific analysis are being created step by step and published on the company website.

We have adjusted the approach for services supply chains and taken the reference documents of the ILO as the basis of the assessment. On the basis of the ILO Conventions, we have identified seven indicators that can provide information about high-risk services. These include the following:

- The number of untrained employees

- High fluctuations in demand

- The physical difficulty of the task to be performed

- The visibility of the people who provide the services

- The use of HR service providers

- A large number of contract partners
- A high level of economic pressure along the supply chains (low profit margin)

After a comparison with the defined indicators, we have identified 27 high-risk services. We have reprioritised them with the help of external specialised advice on the basis of the severity approach of the UN Guiding Principles. As part of our assessment of the sustainable business strategy, we are identifying the most salient risks of each services sector step by step and are defining corresponding measures in order to prevent or minimise adverse human rights impacts.

The identified high-risk services can be categorised as follows:

- Construction services
- Event services
- Security services
- Maintenance services
- Logistics services
- Services related to work clothing

Social Compliance Management System
We use the Social Compliance Management System (Social CMS) to identify and address the risks that can arise in our own Group companies. The emphasis is on the following risk areas identified for Group companies: employee rights, diversity, non-discrimination, security and local risks at the company locations. The systematic approach of the Social CMS enables us to pursue the goal of minimising the aforementioned risks. In the reporting year, we used the Social CMS to completely integrate the topic of human rights in the central systematic risk-analysis process for the legal entities and majority shareholdings, and derived risk-specific packages of measures that were forwarded to the corresponding Group companies. Like the Principles, this system is reviewed and revised regularly and as needed on the basis of the results of the HRRS. Situations requiring a review might include a Group entity's new or changed business activities or relationships or newly identified risk clusters. In addition, we take into consideration the dynamically developing global legislation relating to human rights. The Social Compliance department plays a key role in the implementation and further development of the Social CMS. Since 2019 one of the department's tasks has been to identify and assess the human rights risks in our own Group companies. The Corporate Audit unit is also involved in this process, for example by including sustainability and human rights issues in its audits. The observance of our human rights principles is also addressed in these audits.

We use the identified risk areas as a basis for an annual review of human rights risks at Group companies and majority-owned entities. Here, we employ the two-step procedure that is described in the Compliance Management System — i.e., a preliminary data based classification of risks is followed by a validation process that uses data collected via surveys. This validated risk classification then serves as the basis for the assignment of appropriate measures to each Group company.

After a preliminary classification of the Group companies according to country risk and business model, we conduct a comprehensive annual survey during the second phase of our risk assessment. The goal is to verify the previous risk classification or to adjust it. This survey takes into account the defined human rights risk areas in detail in order to identify specific risks at the entities. On this basis, we create an overall risk statement for the entities and use it to derive specific packages of measures. This is done with the involvement of the compliance officers of our global compliance network.
↗ Identifying human rights risks

During the reporting year, 100 per cent of the Group companies and majority interest were subjected to this risk assessment.

Human rights risks in supply chains
The Mercedes-Benz Group is aware of its responsibility to uphold human rights. We employ comprehensive measures in order to ensure that production materials as well as services are procured worldwide in line with sustainability standards.
↗ Supply chains

Production material

Many materials are needed for the production of vehicles. These include raw materials whose mining and processing pose the risk of human rights violations and negative environmental effects. That's because these raw materials sometimes come from countries that lack sufficient environmental and social standards.
When assessing human rights risks along the supply chain of production materials, we therefore particularly focus on critical raw materials.

We plan to systematically review the 24 critical raw materials that were identified during a preliminary risk assessment in greater depth until 2028. This review process basically consists of three steps:

1. Transparency: increasing transparency along the raw material supply chains — especially with regard to certain key components such as battery cells. To this end, Mercedes-Benz AG contacts the suppliers of the relevant components, for example, and asks them to disclose their structure of sub-suppliers.

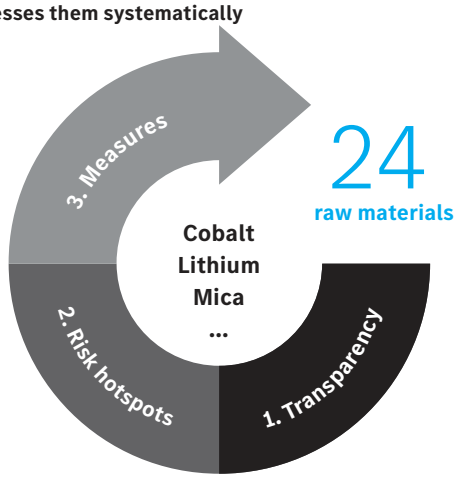
2. Identifying risk hotspots in these supply chains. This is done on the basis of the specific risks in the individual mining countries, for example.

3. Defining and implementing measures for the risk hotspots and checking whether they are effective over the long term.

In this way, the procurement units under the umbrella of the former Daimler AG have in recent years already analysed several of the 24 raw materials that pose an increased risk of human rights violations. They divided up the responsibility for the various raw materials among the different units. Since the Group's split, the procurement unit of Mercedes-Benz AG has been carrying out this analysis under the umbrella and supervision of the current Mercedes-Benz Group AG.

Critical raw materials in the supply chain

The Mercedes-Benz Group identifies risks and addresses them systematically



By the end of 2021 we had used this method to assess 31 per cent of all raw materials posing an increased risk, and thus even slightly exceeded our goal of 30 per cent. We intend to gradually increase this percentage. By the end of 2022, we plan to assess 40 per cent of all raw materials that pose an increased risk. This figure is set to rise to 70 per cent by 2025. Finally, by 2028 we intend to define appropriate measures for 100 per cent of our raw materials that pose an increased risk of human rights violations.

When we decide on a measure, one of our basic principles is that the Mercedes-Benz Group does not completely rule out conflict zones and high-risk areas as sources for critical raw materials. Instead, our approach aims to improve the situation for people in these areas and reinforce their rights. In doing so, we are also following the recommendations of NGOs, governments and other relevant interest groups, who suggest that companies not withdraw from critical countries. Here we are following the principle of "using leverage before withdrawing". This means that we want to actively contribute to the protection of people and the environment in our supply chains instead of turning our backs on problems. To do this, we are closely cooperating with relevant stakeholders in raw material supply chains.
↗ Production material

Services

We also ensure that our service providers share the responsibility for respecting human rights and for other

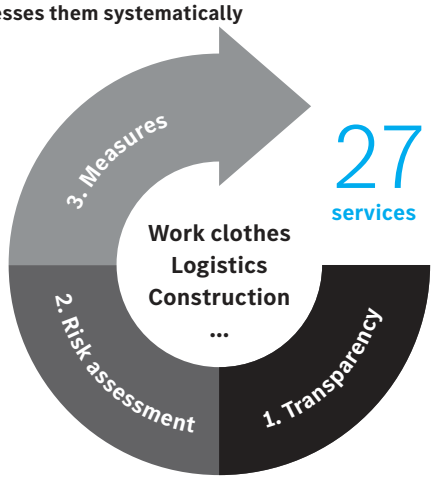
sustainability-related aspects. International Procurement Services (IPS), which is responsible for the procurement of services, evaluates all of the new service providers in high-risk countries and critical procurement segments to determine whether they fulfil social and environmental standards, are ethical in their business operations and properly implement policies. IPS conducts service provider screenings, audits, risk-based due diligence analyses and workshops with selected service providers. Through these measures we want to ensure that social standards and environmental requirements are understood and complied with.

We used a preliminary risk analysis as a basis for identifying 27 services that are potentially critical from a human rights standpoint. On this basis, we cooperated with a team of experts to draw up a list of questions to be answered by service providers so that any increased human rights risks can be identified for certain services and sectors. This gives us a transparent overview of the risks and enables us to initiate targeted analyses of the status quo and engage in a dialogue with relevant suppliers.

We also subject the service providers to a due diligence assessment. These audits focus on assessments of service providers in high-risk countries. We supplement our list of questions with document checks and database research in order to ensure the answers are plausible. If necessary, we also conduct inspections in order to review the conditions on site.

As we implement these measures, we notify service providers of gaps and potential for improvement that we have noticed during the due diligence assessments. We train these service providers by means of dialogue formats so that they understand our guiding principles and can establish them in their own supply chains.
↗ Services

Critical services in the supply chain
The Mercedes-Benz Group identifies risks and addresses them systematically



Stakeholder involvement

For the Mercedes-Benz Group, it is crucial that external stakeholders are included in the further development and implementation of its HRRS. Of particular importance to us are consultations and discussions with rights-holders — for example, with employees and their representatives, as well as with external third parties such as civil society organisations and local residents. These are important for the identification of human rights risks and the development of appropriate measures. Our aim is to enter into an exchange with potentially affected rights holders or their representatives and to take their interests into account.

During the reporting year, we discussed various topics in the Human Rights working group within the annual ◍ Sustainability Dialogue in order to further develop the HRRS in these areas. They included human rights reporting, human rights and the environment, and stakeholder engagement in supply chains.

We want to continue and perpetuate this dialogue with external stakeholders about our HRRS — not only during the Sustainability Dialogue but also at other times during the year.

In 2021, for example, we incorporated the viewpoints and expertise of external stakeholders such as NGOs, trade unions and human rights experts into the development of our Principles of Social Responsibility and Human Rights. During a joint workshop, we took up

their feedback and either adopted it or gave reasons for not doing so. We have also discussed the Responsible Sourcing Standards, which we are currently still developing and which enhance and extend our existing sustainability requirements for suppliers, with external stakeholders. Moreover, we have asked external experts to provide us with advice concerning environmental issues and human rights. As a result of all these talks and consultations, we have concluded that the process of risk identification and prioritisation should be communicated even more extensively and that potentially affected stakeholders should be involved in the HRRS even more systematically.

When we analysed the 24 raw materials that we had identified as critical, we held consultations with stakeholders at several points in order to identify risks along the supply chain and determine whether potential measures would be effective. Regional and local NGOs are an important stakeholder group in this context. They give us a clear picture of the situation on site and also know the concerns of the rights-holders. But direct and indirect suppliers also provide us with important information about the opportunities and challenges arising from human rights due diligence in certain supply chains. For example, they often know best where along the supply chain transparency regarding the origins of raw materials can be achieved and where it cannot. In many cases, they also know about the technical possibilities for improving transparency along the supply chain.

During the reporting year, we held discussions with relevant NGOs concerning a range of topics, including deep-sea mining, sea transport, leather production and deforestation, copper mining in Ecuador, aluminium and mining standards. One result of these discussions is that with regard to the topic of leather and deforestation we are currently checking to what extent we can base our requirements for the suppliers of leather products on those of the Accountability Framework. We have also taken the feedback from NGOs into account in our development of quality criteria for mining standards. Our suppliers can view these criteria on the Supplier Portal. The discussions with the employee representative body from sea transport have enabled us to find out about the specific risks related to this service, especially in view of the covid-19 pandemic. These findings are now serving as the basis for a survey that we are conducting among our service providers.

Above and beyond that, we have begun to establish a process for involving stakeholders even more systematically in the further development of the HRRS in the future and incorporating the concerns of potentially affected people even more systematically into our risk assessments.

In cooperation with the Initiative for Responsible Mining Assurance (IRMA), Mercedes-Benz AG launched a pilot project in the fourth quarter of 2021 in order to integrate the local population in audits of raw material mines and foster participation. The project aims to develop a process for increasing the involvement of affected local communities before, during and after the assessment of mine sites and ensuring that the process has a positive impact on the situation of the people affected by the mining operations. By using culture- and language-sensitive information documents and working together with the local communities we develop appropriate ways to involve the people affected by the mining operations.

Complaints management

The Whistleblower System Business Practices Office (BPO) accepts reports about misconduct.

The company offers employees and external whistleblowers various channels through which they can report suspected human rights violations and request remedy. These channels thus also help us identify and assess human rights risks at the company. Both our Whistleblower System BPO (Business Practices Office) and the World Employee Committee are available to receive reports of suspected human rights violations.

The BPO is available to all employees, business partners and third parties who suspect there is a case of misconduct or think there are risks for the company or its employees, and who would like to report them. The BPO whistleblower system is responsible for a range of topics, explicitly including possible human rights violations. People can also report suspected violations in the supply chain.

Employees can also receive support from the respective managers, HR, social counsellors, the plant medical

service and the works council in addition to the BPO whistleblower system, especially when dealing with people-related violations such as sexual harassment, discrimination and racism. Another point of contact that can give guidance is the Infopoint Integrity.

Reports can be submitted in all languages without restriction. The BPO can be contacted by post, by e-mail or via the Internet by filling in a report form. In selected countries, it can also be reached via external toll-free hotlines. Reports can also be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to an external neutral intermediary in addition to the BPO.

In 2021, 33 cases were newly opened in the Group's whistleblower system. A total of 20 cases, in which 24 people were involved, were closed with merit.

A globally valid corporate policy defines the BPO process and the corresponding responsibilities. This policy aims to ensure a fair and transparent process that protects the company's interests and takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. It also defines a standard for evaluating incidents of misconduct and making decisions about their consequences.

When a new report is received, the BPO generally confirms its receipt to the whistleblower within 24 hours. After a risk-based initial assessment by two authorised persons, the BPO forwards the case to an in-house investigation unit or to the department responsible for the subject of the report. If a case is categorised as "high risk" for the company or its employees, the BPO provides support for the subsequent investigation until the case is closed. Examples of high-risk rule violations include offences related to corruption, breaches of antitrust law and violations of anti-money laundering regulations, as well as violations of engineering specifications and/or technical safety, or environmental protection regulations. Person-related matters, such as incidents of sexual harassment or human rights violations, can also be considered high-risk rule violations. If necessary, a report is filed with government enforcement authorities, with whom we cooperate fully.
The report from our in-house investigation unit serves as the basis for making a labour law-related assessment of recognisable violations. Human Resources can then impose appropriate personnel measures in line with applicable labour laws. The rule violation policy describes possible personnel measures resulting from rules violations so that they are transparent for all employees.

The investigation report can mention not only misconduct but also favourable associated circumstances and possibilities for further improving processes as well as specify measures that have a mitigating effect or prevent a repeat offence. In order to contribute to the creation of a "learning organisation", individual cases of rules violations that pose a high risk for the company are regularly presented within the Group as anonymous examples. Every quarter, we also publish statistics about the number of cases in each category in order to make employees more aware of this issue.

The company protects whistleblowers who report a possible violation on the basis of clear evidence. We ensure their statements remain confidential. The policy classifies penalties imposed on whistleblowers as a high-risk rules violation. As a result, whistleblowers who have been discriminated against for their reports should contact the BPO. If a whistleblower is penalised or intimidated for submitting a report, we will take personnel measures in line with applicable law.

Whistleblowers may also contact government authorities (such as the police, public prosecutor's office and supervisory bodies for financial services). There are no in-house requirements or measures that would hinder or prevent such a step.

In an effort to constantly increase trust in our BPO whistleblower system and make it even better known to our employees, we continuously engage in various communication measures. For example, we provide informational materials such as country-specific information cards, pocket guides and an instructional video that is available in ten different languages. We also hold various dialogue events in which we provide our employees with information about the BPO and encourage them to give us feedback. In addition, we regularly inform employees about the type and number of reported violations. In order to determine the effectiveness of all these measures, the company's regularly conducted employee surveys include questions regarding the em-

ployees' familiarity with and confidence in the BPO. All employees worldwide can also give us feedback in this regard. In the reporting year 2021, direct communication on this topic also took place across hierarchies and functions during a roadshow.

Every quarter, the BPO reports to the Board of Management and the Supervisory Board on newly opened and closed cases. The efficiency and effectiveness of the BPO are subject to internal process audits by the Corporate Audit unit and are externally inspected in the course of the certification of the Compliance Management System.
↗ The BPO whistleblower system

Measures

Locations and Group companies

The United Nations Guiding Principles on Business and Human Rights have increased many stakeholders' awareness of human rights-related incidents. Increasingly, companies have to address the associated risks within their own operations. To this end, the Mercedes-Benz Group has initiated a comprehensive set of measures for increasing our employees' awareness of potential human rights violations and carefully evaluating our management tools to make them more effective.

Making employees more aware of human rights

GRI 412-2

We inform our employees about the principles of human rights and increase their awareness of the corresponding risks by means of the Integrity Code and the Principles of Social Responsibility and Human Rights. These stipulations are binding for all of our employees and are communicated to them in online training courses. These courses include the mandatory online training module Integrity@Work, in which we convey to all employees the strategic and operational importance of human rights for the Mercedes-Benz Group and how they are relevant to daily business. Depending on their specific tasks, during their induction process new employees also have to absolve mandatory training modules that address human rights issues relevant to their respective work environment. Corresponding content is also taught in compliance courses for those responsible on the boards of management of the various units worldwide. These courses specifically address the managers' role and responsibility in the implementation of human rights due diligence. These "CEO onboardings" are held whenever someone takes on an executive position. In addition to human rights issues, the courses address further compliance-related topics. A new feature during the reporting year was the integration of the new Principles of Social Responsibility and Human Rights into the existing training concepts in order to increase employees' awareness of the main human rights issues within the Group.

In addition, the employees learn about human rights issues in function-specific training courses. In 2021 we developed additional online courses for topics related to Integrity and Legal Affairs. These courses are targeted at different groups, which include among others the members of executive management, the CFO and people with supervisory functions as well as employees in the sales organisation. Relevant human rights issues and other compliance topics are addressed here in a target group-specific manner and the roles and responsibilities are communicated within the scope of the Principles of Social Responsibility and Human Rights. Plans call for the courses to be rolled out at the Mercedes-Benz Group in 2022.

The Local Compliance Responsibles play a key role in upholding human rights within the Group companies. In 2020 we developed an online training course specifically for them. We also offer this course to other experts at the Compliance unit. The online course, which is updated annually, raises the participants' awareness of relevant human rights risks that can arise within Group companies. The course focusses on four risk areas that we previously identified during an initial risk assessment. These are employee rights, diversity, security and local conditions. The latter particularly include country-specific respect for civil and political rights. Compliance Responsibles from high-risk markets are required to take part in this course, and all new employees from this target group attend the course when they start to work in this position. During the reporting year, the online course was part of the package of measures designed to create awareness of risks at units with increased risk — completion of the course was mandatory for all managers, including the executive

management. Since July 2020 the training course has also been available to all interested employees within the Group. It is also used at Corporate Security in order to make employees more aware of human rights risks associated with internal security processes and security services. Respect for human rights is a relevant risk area for the security staff's danger assessment and prevention. As part of our Social CMS, we therefore also take the required care to examine security issues and the implementation of security processes. During the reporting year, we made an online training course about human rights risks in a business context available to our Regional Security Officers. This course also includes a module dedicated specifically to human rights risks in the field of security.

In the reporting year, 35,176 online training units concerned with human rights, which correspond to 3,709 hours of human rights training, were completed by employees of the Mercedes-Benz Group as part of the continual Compliance Training programme. In 2020, three online training formats were newly developed for this purpose and completed by employees in administrative units and at controlled Mercedes-Benz Group AG entities. As a result, 298,840 human rights-related training courses were already completed in 2020, which corresponded to around 25,088 hours of training solely for human rights issues.[1]

In addition to its suppliers, Mercedes-Benz Cars & Vans specifically trains its employees in the procurement unit. During the reporting year, 377 employees at the procurement unit for production materials of Mercedes-Benz AG took part in a new sustainability course. The core of this course was devoted to the sustainability requirements that the suppliers have to accept in order to be eligible for the awarding of contracts. The training course prepares employees to explain the background of the individual requirements in order to raise suppliers' awareness of them during the contract negotiations and ensure that the requirements are accepted. The employees from the services procurement unit are also trained in the sustainability strategy and the relevant measures of the procurement processes when they are hired and onboarded. During the reporting year, we also developed an online compliance course for all procurement employees that will be introduced in 2022. In addition to other compliance topics, it will teach procurement employees about the role of procurement in upholding human rights in global supply chains.
↗ Integrity and compliance

Measures in Group companies

The Mercedes-Benz Group AG is responsible for respecting and upholding human rights in all Group companies. That's why we conduct risk-based and systematic monitoring to ensure that human rights are respected by our units. Among other things, we carry out a two-stage survey-based risk assessment at the Group companies and at companies in which we hold a majority interest. The results are carefully evaluated and documented.
↗ Social Compliance Management System

During the reporting year, this risk assessment classified 87 per cent of the corporate units (within Mercedes-Benz AG, Daimler Truck AG and Daimler Mobility AG) as low-risk units, eight per cent as medium-risk units and five per cent as units with an increased human rights risk. It confirmed the investigated human rights topics of employee rights and diversity in particular as areas of action, while security and local conditions were identified as relevant areas of action at a small number of units.

We allocate risk-based sets of measures to the business units on the basis of a unit's evaluation and classification as a low-, medium- or high-risk unit. The local units are required to implement these packages. Among other things, during the reporting period we provided communication materials regarding our values and requirements for interaction with employees and business partners. Another measure was the mandatory online human rights course for managers in high-risk markets. We comprehensively enhanced the packages of measures for all risk categories during the reporting year. These will be introduced in 2022 at all units on the basis of their individual risk classification. The packages of measures address all four of the identified areas of action and specify clear responsibilities for implementation of the measures. One of the sets of measures specifies, for example, that a Local Diversity Representative must be appointed for units in which an increased risk was identified for the diversity area of action. This will make it possible to address violations more easily and create specific structures to help remedy the situation.

1 The data encompass Mercedes-Benz Group AG, Mercedes-Benz AG and Daimler Truck AG.

Employee rights in Group companies

Remuneration and benefits

At the Mercedes-Benz Group we are committed to paying an appropriate wage that amounts at least to the legally prescribed minimum wage and in addition enables our employees to at least have a secure livelihood.

We remunerate work in accordance with the same principles at all Group companies around the world. Our global Corporate Compensation Policy, which is valid for all groups of employees, defines the framework conditions and minimum requirements for the design of the remuneration systems. Compliance is determined by means of in-house audits.

Abolition of child labour

The Mercedes-Benz Group is strictly opposed to any kind of child labour as specified by the pertinent ILO Conventions number 138 and 182. We are committed to abolishing child labour and are organising our employer practices accordingly.

Working hours

The Mercedes-Benz Group applies the principle that working hours must comply with the respective local legislative requirements and the respective industry standards. Within the scope of applicable law, we make sure that working conditions are safe and healthy and that breaks are provided, working hours are appropriately limited, paid rest leave is regularly offered and the applicable international standards concerning working times are complied with, at least those of the ILO Conventions that are applicable to the place of employment.

Abolition of forced labour

At the Mercedes-Benz Group we strictly oppose forced and compulsory labour as well as every kind of slavery, including modern forms of slavery and human trafficking. All of the employee practices must, at the very least, be based on the ILO Core Labour Standards. Employment relationships are always voluntary in nature. All employment relationships can be terminated, provided there is an appropriate notice period.
The employees are paid at agreed-upon times in accordance with local requirements. In Germany, for example, this is governed by employment and collective bargaining agreements. Every employee receives a salary statement in which the remuneration and statutory deductions (e.g. social insurance payments) are transparently listed in a comprehensible manner.

Freedom of association and right to collective bargaining

At the Mercedes-Benz Group, we acknowledge our employees' right to form employee representative bodies and conduct collective bargaining in order to regulate working conditions. We also recognise their right to strike in accordance with the respective applicable laws. The founding, joining or membership of a trade union that is recognised on the basis of applicable law may not be used as a reason for unjustified discrimination or punishment.

Health and occupational safety

As an employer, we at the Mercedes-Benz Group ensure health and safety at the workplace at least within the scope of applicable law and also support a process of continuous further development in order to improve the working environment with the goal of preventing job-related accidents and illnesses.
↗ Key figures for employees

Equal opportunity and protection against discrimination

At the Mercedes-Benz Group, we are committed to providing equal employment opportunities and refraining from any kind of discrimination. We stand up for the fair treatment of all employees and do not tolerate any kind of discrimination or unjustified unequal treatment — for example on the basis of gender, ethnicity, origin, nationality, religion, worldview, political, social or trade union activity, sexual identity or orientation, physical or mental disability or age.
↗ Diversity and equal opportunity
↗ Key figures for employees

Supply chains

GRI 103-2

We employ a diverse range of measures and concepts in order to fulfil our due diligence obligations regarding the supply chain. These include supplier screenings, audits, risk-based due diligence analyses and qualification modules for suppliers of production materials. We use these tools to increase the transparency of the supply chain and ensure that the internationally recognised human

rights are upheld and other social standards and environmental requirements are met. Our Procurement units play a central role in this process.
How we handle risk-involving raw materials

Production material

GRI 414-1

The Mercedes-Benz Group systematically examines whether and to what extent its production material suppliers respect human rights.

For example, the procurement unit Mercedes-Benz Cars Procurement and Supplier Quality evaluates all new suppliers on site before any possible orders are placed. Our sustainability standards are used as the basis for this process. Our auditors ask questions regarding social standards, including working hours, remuneration and freedom of association in particular. In countries with an increased risk of human rights violations, such audits are even more thorough and include a review of child labour, occupational safety and free choice of employment as a standard procedure.

The procurement unit of the Mercedes-Benz Group audits the human rights compliance of direct suppliers. In addition to on-site CSR audits, among other measures that are part of our regular risk analyses we conduct an annual database review in order to identify any violations of our sustainability and compliance rules at an early stage on the basis of our current supplier data.

If the database review or the on-site audits discover suspicious activity, the procurement unit initiates a more thorough investigation. To this end, we ask the affected supplier a number of case-specific questions regarding sustainability management, as well as due diligence measures with respect to human rights issues or the inclusion of its own suppliers, for example. If shortcomings are detected, we require the supplier in question to improve the corresponding processes.

If the supplier does not sufficiently remedy the criticised processes, we make individual decisions regarding the next steps. In especially severe cases, these decisions can be made by management bodies. As a last resort, this can cause us to discontinue business with a supplier.

Supplier assessments have to be comparable if supplier management is to be effective over the long term. Standardised tools from external sources are helpful in this regard. One example of this is the industry-wide sustainability Self-Assessment Questionnaire developed by the European Drive Sustainability initiative. Mercedes-Benz AG requires all of its suppliers to complete this questionnaire. The suppliers who had completed it by the end of 2021 represent more than 53 per cent of our annual procurement volume.

In addition, between now and 2028 we are taking specific measures step by step for the 24 raw materials that we have defined as critical. These measures aim to reduce the human rights risks associated with the mining and processing of raw materials in the supply chains of Mercedes-Benz AG.

Services

GRI 410-1

We use key questions to evaluate the entire services portfolio with the objective of finding out in which commodity groups we can expect an increased risk of human rights violations. We regularly repeat this risk mapping in order to address current developments and dynamically adapt our risk classification. We subject service providers with increased risks to a due diligence assessment so that we can determine their integrity, identify potential for improvement and communicate our expectations regarding holistic processes for upholding human rights as well as our own standards regarding the case in question.

In addition, IPS examines all of the existing service providers to check their compliance with human rights standards. In this process, we conduct an annual database research of current service-provider data in order to identify any violations of our sustainability and compliance rules early on. The regular checks are meant to prevent violations and ensure that the service providers stay vigilant.

If the database review discovers suspicious activity, the Procurement unit initiates a more thorough investigation. If the service provider does not sufficiently remedy the criticised processes, we make individual decisions regarding the next steps. In especially severe cases, these decisions can be made by management

bodies. As a last resort, this can cause us to discontinue business with a service provider.

Besides making our own risk assessments, we also consider indices such as the Corruption Perceptions Index (CPI) from Transparency International. They help us to identify countries with increased human rights risks in the services sector and concentrate our measures on the service providers who operate in these countries.

We have signed work and services contracts with service providers for our locations in Germany. The requirements in these contracts often surpass those of the legal stipulations. We have particularly high standards with regard to occupational health and safety, accommodation and remuneration, the use of temporary workers and the commissioning of subcontractors. We also demand that false self-employment of any kind must not be tolerated. These standards are relevant for all contracts that exceed a period of two months and are physically carried out on the business premises of Mercedes-Benz Group AG in Germany. All of the relevant work-for-hire contractors or service providers must declare in writing that they comply with these standards. Only if they fulfil this prerequisite can they receive purchase orders. An auditing team checks whether the standards are being complied with at selected service providers in Germany.

In order to make our service providers more aware of the importance of responsible behaviour with regard to human rights and explain to them what we expect of them in this connection, we conduct Good Practice Sharing Workshops, which have also been held online since the spring of 2020. At these workshops, cross-functional teams from procurement meet service providers to openly and constructively discuss various issues. Through this measure, we also want to make our business partners more aware of the importance of the responsible handling of human rights and explain to them what our expectations are in this regard.

Improving suppliers' awareness and qualifications

GRI 412-2

The successful management of sustainability topics, such as respect for human rights in the supply chain, requires a shared system of values. Know-how regarding the correct implementation of the applicable requirements is just as necessary. Accordingly, the Mercedes-Benz Group has sensitised and informed our suppliers by means of corresponding training modules for many years. Where appropriate, we have also done so as part of our involvement in sustainability and human rights initiatives.

Since 2018, we have been cooperating with the Drive Sustainability initiative on the implementation of measures to sensitise and inform production material suppliers in various focus countries. We selected the respective countries jointly with the initiative. In training courses, suppliers are taught about human rights and working conditions, including topics such as working hours, fair remuneration, freedom of assembly and forced labour. In the reporting year, the courses that had been envisioned for suppliers in India and Argentina were replaced by online events due to the covid-19 pandemic.

The Mercedes-Benz Group also developed the ⊕ Compliance Awareness Module on the basis of its supplier sustainability standards and its Integrity Code. This publicly available training module helps suppliers handle possible integrity- and compliance-related risks in a responsible manner. It is intended to provide suppliers with an overview of our currently valid compliance principles and inform them of the company's expectations with respect to human rights issues and other topics. The module also contains various case studies concerning our compliance theme fields in order to provide assistance and guidance. In addition, it clearly stipulates what we expect of our suppliers when it comes to integrity and provides information about legal requirements and ethical standards. All suppliers can access the module at our Supplier Portal at any time. We also inform them that they can recommend this module to their business partners in the supply chain.

Sector associations and initiatives

GRI 102-12/-13

The Mercedes-Benz Group has long been active in a variety of automotive and industry associations that address the issues of sustainability and human rights in the supply chain. These memberships help us to shape complex supply chains through the responsible use of joint measures. They include the following:

– **UN Global Compact:** The Mercedes-Benz Group is a

member of the Compact and a participant in two of its Action Platforms (Decent Work in Global Supply Chains and Reporting).

- **German Global Compact Network:** The Mercedes-Benz Group is the theme sponsor for human rights issues and a member of the steering committee.

- **econsense — German Business Forum for Sustainable Development:** The Mercedes-Benz Group is the theme sponsor for human rights issues and a member of the Human Rights & Value Added cluster.

- **World Business Council for Sustainable Development (WBCSD):** The Mercedes-Benz Group is a member of this global business initiative for sustainable development, where its activities include participation in programmes for the promotion of a circular economy and for business & human rights.

- **Responsible Supply Chain Initiative RSCI:** The Mercedes-Benz Group is a founding member of this organisation, which was initiated by the German Association of the Automotive Industry (VDA). The RSCI aims to help all of the players in the automotive industry use on-site inspections and corresponding follow-up measures to improve and further develop the sustainability of their supply chains. Among other activities, the RSCI is developing a standardised monitoring mechanism to evaluate companies' sustainability performance.

- **Drive Sustainability:** The Mercedes-Benz Group is a LEAD partner of the European automotive industry initiative Drive Sustainability, which promotes sustainability in the supply chain. The joint Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain play an important role here. They were updated during the reporting year. In 2021 Drive Sustainability increasingly included companies from the supply chain. For example, it created the much sought-after Drive Plus, a new section for tier-1 suppliers of the automotive industry. In addition, the initiative published the Raw Materials Outlook, a publicly accessible platform that provides information about value chains and the associated environmental and human rights risks of a total of ten raw materials. The objective of both activities is to discuss the joint challenges more extensively with supply chain representatives and find possible approaches to solving them.

- **Automotive industry dialogue of Germany's National Action Plan on Business and Human Rights (NAP):** The Mercedes-Benz Group takes part in the automotive industry's NAP dialogue. The aim is to work together with representatives of civil society, the science and business communities, associations and government to develop solutions for strengthening human rights in supply chains.

↗ Involvement in raw material initiatives
↗ Memberships and participation

Effectiveness and results

GRI 103-3

Locations and Group companies

During the reporting period, the Mercedes-Benz Group regularly reviewed its human rights measures and adjusted its management approach as needed. Among other things, we have greatly expanded our risk-based measures for Group companies. In early 2022 we plan to roll them out in all Group companies in which we have a majority interest.

The implementation of the associated measures will subsequently be monitored by means of an annual effectiveness assessment within the scope of the Social CMS. In this way, we want to ensure that our human rights approach for Group companies is effective and that the methods and processes are continuously enhanced.

We also use the annual Sustainability Dialogue in order to assess the effectiveness of our approach. There we present our progress and challenges and discuss them with representatives from business, government and society at large. The specialist units subsequently evaluate the results and the stakeholders' suggestions and incorporate them into their work processes. The results are also published on our website.

During the further development of our management approach to human rights, we also incorporated the

feedback from our stakeholders at the human rights working group of the Sustainability Dialogue.
↗ Stakeholder inclusion

Supply chains

GRI 407-1 GRI 408-1 GRI 409-1 GRI 412-1 GRI 414-2

The Mercedes-Benz Group uses comprehensive measures to ensure that production materials as well as services are procured worldwide in line with sustainability standards. It is also important to us to ensure that the measures' effectiveness is regularly reviewed and that they are realigned or refined when needed.

Production material

During the reporting period, we further refined our approach to the assessment of risk-related raw materials and supplemented it with additional tools and processes. To ensure that we take a targeted approach to addressing the human rights risks of our raw material supply chains, we are orienting our activities in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In cooperation with the consulting company RCS Global, we have examined our processes in order to determine what adjustments have to be made in order to conform to the OECD guidance. In 2021, we revised our Supplier Sustainability Standards, in part to ensure that our expectations regarding suppliers comply with the OECD guidance to the greatest possible extent. Publication of our new procurement guideline is scheduled for 2022.

We continued to conduct our audits at production material suppliers in 2021, when a total of 805 on-site audits were performed. Some of these audits were conducted virtually due to the covid-19 pandemic. Anomalies were detected with regard to working hours, occupational safety, business ethics, the communication of our sustainability standards and other topics. During the reporting year, our on-site inspections at direct suppliers to Mercedes-Benz Cars & Vans discovered no specific suspected cases of child labour or forced labour, nor were there any indications of violations against the right to collective bargaining or freedom of association.

Service providers

The IPS unit's on-site examinations and supplier screenings of our direct suppliers did not discover any suspected cases of child labour or forced labour during the reporting year. Moreover, there were no indications of violations against the right to collective bargaining or freedom of association.

Sales and investments

During the reporting period, we further refined our approach to the assessment of human rights risks related to sales and investment processes. The development of appropriate tools and processes was initiated in cooperation with the responsible specialist units to ensure optimal process and system integration in the future. We utilise corresponding risk assessment approaches in order to directly identify and address human rights risks in our sales and investment processes. For sales processes, these approaches take into account country-specific risks as well as risks arising from products and customer-related risks, for example. With regard to investment processes, we are not only addressing country risks but will, in the future, also make a human rights-focussed assessment of the business models and business partner structures of our potential investment partners and their own human rights-related due diligence approaches.


laureus
SPORT FOR GOOD FOUNDATION

Social commitment

Materiality and goals

GRI 103-1/-2

Target	Target horizon
Make a tangible contribution to the common good at all our locations around the world.	Ongoing
Strengthening our positive image in the public eye.	Ongoing

Mobility has always moved people. It stands for freedom, independence and economic growth. However, mobility is not just transport. It also connects people and cultures all over the world, and thus contributes to the creation of a more open society.

The Mercedes-Benz Group as a company is also part of society. We can only be successful if we operate in an environment where people can lead a good life as they see it. In particular, a high level of education and a high degree of economic and social stability are crucial elements of such an environment. That's why we are cooperating with our employees to create a sustainable society that will remain viable in the future.

Strategy and concepts

Donations and sponsorships

GRI 103-2

An important part of our worldwide social commitment consists of donations to non-profit institutions, the sponsoring of socially beneficial projects and the personal involvement of our employees. The donations and sponsorship committee of the Board of Management controls these activities. The Daimler and Benz Foundation, the Laureus Sport for Good Foundation and the Mercedes-Benz Foundation are responsible for additional socially beneficial projects, which they manage autonomously.

Throughout the Group, we select donation recipients and sponsorship projects in line with the criteria and standards of our donation and sponsorship policy. This policy was last updated in May 2021. It stipulates that all of the Mercedes-Benz Group's donations and sponsorships have to comply with the applicable national and international laws, meet ethical standards and correspond to the Group's values. The contract award process is designed to be transparent for both performance in kind or in cash. We observe our corporate policies and take the UN Global Compact Principles as a guide for the implementation of our donations and sponsorships.

We create transparency by recording all of the Group's donations and sponsorships worldwide in a centralised database. Moreover, we regularly inform our employees about the applicable policies and alert them to possible risks connected with donations and sponsorships.

Our approach

GRI 203-1

In accordance with our sustainable business strategy, within the framework of our social commitment we primarily promote projects and activities related to our core business. We also encourage our employees to become involved in socially beneficial projects, and to help improve the social environment in the communities where we operate and initiate aid projects worldwide. In spite of the covid-19 pandemic, our employees acted on their social commitment while adhering to the applicable safety and hygiene regulations.

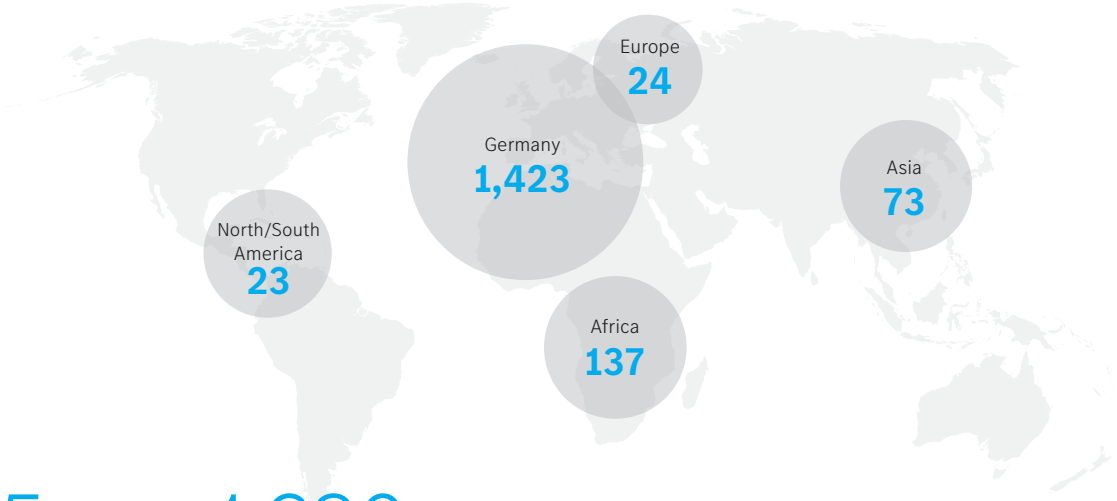
Our corporate citizenship activities are based on three pillars: "With our employees", "For our facilities" and "All over the world".

Measures

With our employees

The ProCent initiative is one example of our employees' commitment to the common good. In this initiative, our employees can donate the cent amounts of their monthly pay cheques. We, then match these amounts and put them into a fund for the support of socially beneficial projects. In 2021, ProCent already celebrated its tenth anniversary. We have supported around 1,600 projects since the initiative was launched. Donations worth more than €11 million have been authorised by the initiative to date. Our employees recommend socially beneficial projects, that should receive money from this fund.

ProCent Focal points of support[1,2]



11.5
million euros have been authorised in aid projects since December 2011

1,680
Projects have been approved for funding by ProCent

100,000
Two thirds of our employees in Germany donate the cent amounts of their net pay

57%	Support for children and teenagers
26%	Charitable projects
9%	Disabled assistance
8%	Animal welfare and nature conservation

Donations to each individual project are between €250 and €60,000

1 These data encompass Mercedes-Benz Group AG, Mercedes-Benz AG and Daimler Truck AG.
2 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

In 2021, the regional projects receiving support included the Association for Social Psychiatry in Reutlingen, assisting them during the relocation process and the construction of a new nursery, which offers people with mental illness a valuable employment offer and contributes to the development of career prospects. On an international level, the ProCent donations were used, for example, within the association Hosanna Institut du Sahel Deutschland e.V. to purchase storage accumulators ensuring power supply of a maternity hospital in Niger.

We also encourage our employees to actively participate in socially beneficial projects themselves through our Social Days and the Day of Caring. For example, employees from Mercedes-Benz Financial Services and Mercedes-Benz Mobility Korea joined up with local brand partners and dealers in autumn 2021, to collect garbage from the streets, sidewalks and bushes in the vicinity of their offices and had it disposed of professionally.

In another example, employees from Mercedes-Benz Financial Services Canada acted as green ambassadors in the Green Micro Challenge. They organised virtual workshops and gave their colleagues tips they could apply in their daily lives to reduce their CO_2 footprint, avoid plastic waste and conserve water and electricity.

For more than ten years, we have staged the Give a Smile campaign, in which employees fulfil the Christmas wishes of children and teenagers from socially disadvantaged families. We continued the action in 2021 while maintaining the covid-19 safety and hygiene measures. Our employees at more than 30 locations in Germany have packed packages or donated money. The gift packages and the financial contributions went to aid organisations in the direct neighbourhood of the company locations. We brought large smiles to the faces of numerous children and teenagers by fulfilling their Christmas wishes.

For our facilities

GRI 413-1

We conduct a wide variety of projects that support social development at our locations throughout the world. In view of the severe effects of the covid-19 pandemic, an important focus of our local activities since 2019 has been on corresponding assistance measures. For example, Mercedes-Benz India delivered many cash and non-cash donations to local aid organisations and healthcare facilities. With the help of these donations, hospitals severely affected by the pandemic in cities such as Pune were able to mitigate the acute shortages of ventilators. In Germany, one of the organisations we supported was the Bürgerstiftung community foundation in Stuttgart, which organised a "well come back" campaign for the children returning to school after the summer holidays. Together we organised activities to express appreciation and respect to the children for their perseverance during the pandemic and to reinforce the social bonds between them. Among other things, we facilitated group outings to climbing parks, theatre workshops, hikes and sports competitions.

After violent protests in South Africa in mid-2021, Mercedes-Benz South Africa Ltd., Mercedes-Benz Financial Services and Daimler Trucks and Buses joined together to bring assistance to people in distress. With a donation of 1.5 million rand (more than 87,000 Euro) they financed food aid in the South African provinces of KwaZulu-Natal and Gauteng. In addition, their employees helped to directly distribute food packages to 3,000 vulnerable families.

Getting children enthusiastic about natural sciences and technology

The Germany-wide STEM educational initiative Genius — The young knowledge community from Mercedes-Benz was founded ten years ago. Genius conducts workshops to get children and young people enthusiastic about technology at an early age. Corporate topics such as driving simulators and testing grounds are adapted for specific target groups.

Among other things, the initiative sends "junior reporters" into our operations. In 2021, the young reporters covered the topic of sustainable mobility in several articles. They gathered impressions on site, interviewed experts and looked behind the scenes.

Genius also provides teachers with practical digital instruction materials and organises further education measures for teachers in Germany. These courses address topics related to the future of mobility. Employees serve as Genius ambassadors in these courses and in technology workshops at our locations.

German Arts Sponsorship Award received

In May 2021, we were honoured with the Arts Sponsorship Award for our many years of support for the "BachBewegt!" project by the Association of Arts and Culture of the German Economy and the business newspaper Handelsblatt. The award recognises innovative projects financed by companies' promotion of culture. BachBewegt! is a long-term music appreciation project of the Internationale Bachakademie Stuttgart that we have been supporting since 2015. Its purpose is to bring music to children and teenagers in the Stuttgart region.

Emergency aid for flood victims

After the catastrophic floods in Germany in July 2021, we donated €1 million to the German Red Cross and Stiftung Technisches Hilfswerk (Federal Agency for Technical Relief Foundation). In addition, our national subsidiaries in Belgium and the Netherlands supported local aid organisations. The funds were spent locally in the flooded areas in order to provide people with basic necessities and help to rebuild the devastated areas. We also gave time off from work to employees in the crisis areas who were directly affected themselves or who worked with the Federal Agency for Technical Relief or voluntary fire brigades. The company also provided Mercedes-Benz special-purpose all-terrain vehicles.

Around the world

Our social commitment does not end at national borders, because we initiate aid projects worldwide and help people lead their lives autonomously, independently and without financial hardship. In this way, we want to do our part to improve the prospects of future generations.

For example, during the reporting year Mercedes-Benz Financial Services Turkey launched the ONE CUSTOMER, ONE TREE initiative as a reaction to the devastating forest fires in Turkey. Between January and August 2021 an area of more than 177,000 hectares, including wide swathes of forest, was destroyed. As part of the

initiative, for each new customer in 2021 the company donated a tree seedling to the TEMA Foundation for the protection of natural habitats. By the end of the year, a total of 700 trees had been planted. We thus made a small contribution to restoring the country's forests and advancing climate protection.

We are also taking on responsibility for preventing child labour all over the world. For example, we have cooperated with the Bon Pasteur organisation since 2019 and are supporting its activities in Kolwezi in the Democratic Republic of the Congo. In this mining region, the main metal extracted is cobalt, an important component of the lithium-ion battery cells we install in our electric cars. There is an increased risk of human rights violations and child labour in the mines and in the entire local processing chain. The goal of the project is to create viable alternatives to working in the mines and ensure secure livelihoods. The project also protects and promotes the basic human rights of the residents of the communities within the cobalt mining region. In the reporting year the focus was on creating alternative livelihoods and new sources of income — for example, through the development of sustainable agriculture. Among other things, we provided the materials and organised personnel for the establishment of a fish farm. We also invested in educational and healthcare services for children, as we had done in previous years. To this end, we created a network of social workers, teachers, psychologists and caregivers who take care of the children in Kolwezi and support them with age-appropriate programmes.

In 2020, we also entered into a partnership with the non-governmental organisation (NGO) Terre des Hommes Netherlands in a campaign to prevent child labour in the mica mining region in Jharkhand, India. Mica is the main raw material for the pigments in our vehicle paints, where it creates a shimmering effect, for example. We mainly procure mica from the state of Jharkhand in India. It is one of the poorest regions in the country. The literacy rate and the number of children who go to school are much lower here than the national average. Child labour is still very common in this region.

To combat this situation, Mercedes-Benz and Terre des Hommes Netherlands are working together with the regional aid organisation Jago Foundation. We are employing a variety of measures in this effort. Among other things, we are conducting information campaigns to make people aware of children's rights. We are showing families alternative sources of income and training them in areas such as agriculture. In addition, we are enabling children to attend school and improving their learning conditions by giving them access to libraries, for example. We are also strengthening local institutions and working together with media in order to make child labour a political issue. In addition, a special focus of the project in 2021 was on the effects of the covid-19 pandemic. The project teams distributed sanitation supplies to families and provided children with access to digital learning programmes.

Replanting mangroves for the benefit of people and the environment

Mangrove forests are among the most resilient ecosystems in the world. They play an important role in protecting coastal areas against flooding. These forests also serve as carbon sinks and thus fulfil an important function in stabilising the global climate. In addition, they contribute to biodiversity and to ensuring the food supply and income of people in the southern regions of the world.

However, many mangrove forests have suffered from overuse in recent years or have been destroyed. As a result, we are supporting the SAIME (Sustainable Aquaculture in Mangrove Ecosystems) project of the Global Nature Fund for the protection and restoration of mangrove forests in southern Asia (India, Bangladesh, Sri Lanka and the Maldives).

This project aims to restore the forests and thus contribute to climate protection as well as creating alternative sources of income for the local population, e.g. ecotourism and the shrimp trade. In the course of the project several approaches to solutions were developed, such as integrated mangrove aquaculture. In this type of aquaculture, mangrove trees are directly planted in the shrimp ponds in order to take advantage of various positive synergy effects. The trees stabilise the dykes, protect the ponds from flooding and offer shade. The falling leaves also provide feed for the shrimp. The trees enhance the biodiversity of the shrimp farm. The supporters of SAIME have already raised more than 100,000 mangrove seedlings in five tree nurseries and planted them in the approximately 50 pilot farms. The pilot farms, which in

turn are used for training sessions and as a source of inspiration for the smallholders of the surrounding region so that this method can become more widespread.

Contemporary art from Europe
"Diversity United – Einheit durch Vielfalt" was the slogan of the opening of an exhibition of contemporary European art on the grounds of Berlin's former Tempelhof Airport in the summer of 2021. The project, which was organised by the Foundation for Art and Culture in Bonn, presented works by approximately 90 artists from 34 European countries until the closing of the exhibition in October 2021.The themes featured in the artworks included the European dialogue and the consequences of the covid-19 pandemic. We supported the project through our sponsorship and by organising various activities in the exhibition area, including a talk about the role of contemporary art by the foundation's chairman, Professor Walter Smerling.

Making children more aware of traffic safety
We promote greater safety for children in road traffic through our international MobileKids initiative. The project is directed not only at children but also at adults as well as schools and other educational institutions. By providing a comprehensive range of information and instruction materials, we're helping to teach children how to move around safely in road traffic. This traffic safety initiative celebrated its twentieth anniversary during the reporting year.

Worldwide foundation activities
Our foundations support projects all over the world in the areas of science, research, technology, education, instruction and sports.

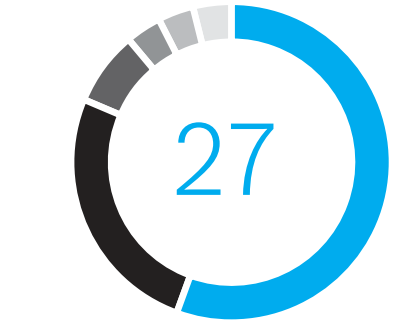
Laureus Sport for Good Foundation: Supporting children and teenagers
For more than 20 years, via the Laureus Sport for Good Foundation we have been helping children and teenagers to overcome violence, discrimination and disadvantages and encouraging them to take control of their lives and to set and attain goals. In this effort we are relying on the power of sports to bring people together and motivate them. That's because sports mobilise people and strongly promote a sense of community. Differences in religion, skin colour, gender and place of origin lose all significance.

Laureus has been able to help more than six million children and teenagers since it was established in 2000. There are now over 250 Laureus projects under way in more than 40 countries. One of them is the Boxgirls Kenya project, which was a finalist in the competition for the Laureus Sport for Good Award 2021. Through boxing the project aims to reinforce the girls' self-awareness and their self-confidence.

Strengthening science
The Daimler and Benz Foundation supports multidisciplinary scientific dialogue and interdisciplinary research projects. The foundation's scholarship programme supports outstanding young scientists from all disciplines. During the reporting period, 24 postdocs and assistant professors with management experience, were supported and also 12 new scholarships have been awarded. Using a variety of support measures, the foundation investigates research topics that are relevant for the future. It also stages several lecture series in order to make science more visible and accepted in the public eye.

Mercedes-Benz Foundation: Promoting scientific research
It is important to us promoting scientific research regardless of economic interests. To this end, we established the Mercedes-Benz Foundation (formerly Daimler Foundation) as an unincorporated foundation within the Donors' Association, a joint initiative of companies and foundations that provides comprehensive advice, networking and support in the areas of education, science and innovation. The Mercedes-Benz Foundation focusses on three areas: structural problems in research and teaching, engineering sciences and international and scientific cooperation. Since it was founded in 1993, it has helped to establish 27 endowed professorships and assistant professorships in Germany and abroad.

Areas of knowledge that are receiving support



- **15** Engineering sciences
- **7** Economics and political sciences
- **2** Humanities
- **1** Biological sciences (medicine)
- **1** Natural sciences
- **1** Interdisciplinary sciences

Donations and sponsorships

- **74%** Social issues and community
- **14%** Education
- **10%** Science and the environment
- **2%** Art and culture
- **0%** Political dialogue

Effectiveness and results

The effectiveness of our management approach

GRI 103-3

We evaluate the effectiveness of our social commitment in a variety of ways. Among other things, we monitor the projects and regularly hold dialogues with our partners and the people who are receiving support. Reports about the current state of a project as well as annual reports and agreed-upon key figures enable us to determine how a project is progressing. In selected cases, we go on site to check and assess the project results and the effectiveness of the support measures.

Results

We evaluate our commitment by looking at the reactions on public and in-house platforms. We use suitable data analysis tools for this purpose.

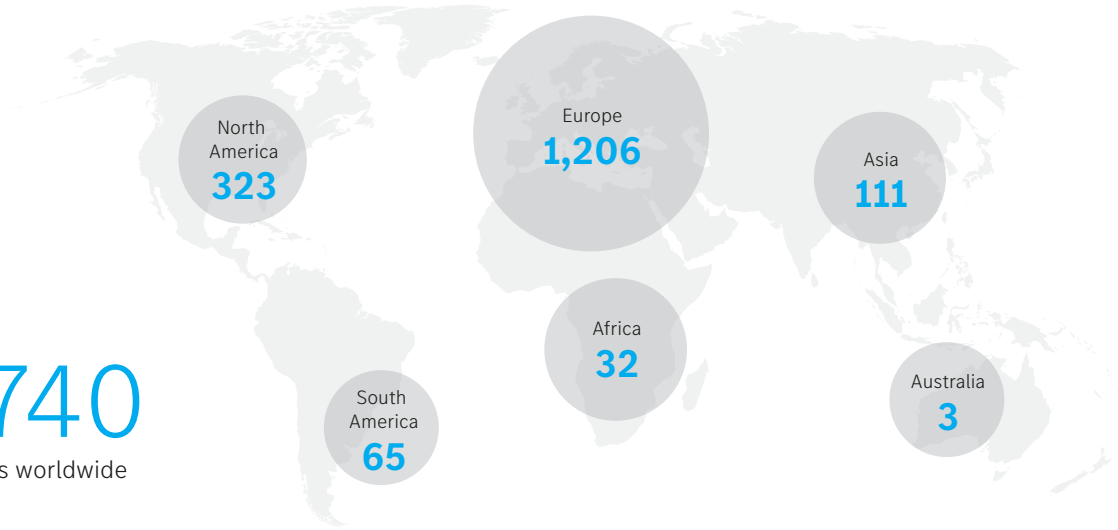
During the reporting year, we spent around €50 million[1, 2] on donations to non-profit institutions and the sponsorship of socially beneficial projects. This amount does not include our own foundation activities and projects that we initiated ourselves. The money for the donations and sponsorships is distributed as follows among the areas:

- Social issues and community: 74 per cent
- Education: 14 per cent
- Science, technology, environment: 10 per cent
- Art and culture: 2 per cent
- Political dialogue: 0 per cent

We supported a total of about 1,740 projects worldwide.

1 These data encompass Mercedes-Benz Group AG, Mercedes-Benz AG and Daimler Truck AG.
2 These data have been adjusted due to the spin-off and hive-down of the Daimler commercial vehicle business as an independent company, nonetheless, they still contain minor uncertainties as adjustments for combined locations and units can first be made in financial year 2022.

Effective social commitment



1,740
projects worldwide in total

APPENDIX

About this report

GRI 102-45/-50

In this Sustainability Report we assess the main effects of our business operations in 2021 and present our current target programme. This report is available online and as a PDF file. Special features of the online report include a search function, an in-depth GRI Index which is linked to the respective sections of the report, a glossary of specialist terms and a key figure tool. This key figure tool enables readers to compile tables according to their information needs. The PDF version of the report combines all of the content into one document. Searched topics and information can be accessed directly chapter by chapter. The PDF file also contains numerous links to additional online information.

New corporate structure

The Board of Management and the Supervisory Board of the former Daimler AG decided in 2021 to spin off and hive down the commercial vehicle business ("Project Focus"). The implementation of these measures resulted in a realignment of the company. The separation aims to improve the conditions for the implementation of the respective strategies of the remaining Mercedes-Benz Group and the new Daimler Truck Group. Each company will develop and pursue its own independent strategy. The business activities of the two groups will be even more independently diversified in line with their customers, technologies, risks and markets and the necessary processes will be adapted to the competitive environment and changing market conditions in an even more agile and targeted manner. Moreover, the separation provides the Daimler Truck Group with direct access to the capital market and thus to additional sources of funding. At the Extraordinary General Meeting in October 2021, the shareholders voted in favour of implementing "Project Focus" and the resulting change of the name Daimler AG to Mercedes-Benz Group AG, effective 1 February 2022.

The commercial vehicle business concentrated in Daimler Truck AG was completely separated from the Daimler Group and transferred under the umbrella of Daimler Truck Holding AG to an independent group that has its own financial services company. Trading in the shares of Daimler Truck Holding AG began on the Frankfurt Stock Exchange on 10 December 2021.

The information in this Sustainability Report pertains to the entire Mercedes-Benz Group and its segments. We use a control approach, which means that the calculations take all of the Group's production-related majority holdings fully into account. Mercedes-Benz Group AG is the parent company of the Mercedes-Benz Group and has its headquarters in Stuttgart. With the new corporate structure, effective since 10 December 2021, the Group's business operations under the umbrella of Mercedes-Benz Group AG are managed in two units. Mercedes-Benz AG is responsible for the business of Mercedes-Benz Cars & Vans and its brands Mercedes-Benz, Mercedes-AMG, Mercedes-Maybach and Mercedes-EQ. Mercedes-Benz Mobility AG encompasses financing, leasing and insurance services that are closely linked to mobility services such as fleet management, rental services and participating interests in on-demand mobility services. Mercedes-Benz Group AG carries out the functions of controlling and governance and provides services for the Group companies. As the parent company, it also defines the Group's strategy, makes strategic decisions for business operations and ensures the effectiveness of organisational, legal and compliance-related functions throughout the Group.

The reporting period corresponds to our financial year, which runs from 1 January to 31 December.

GRI standards — “Comprehensive” option

GRI 102-54

In 2006, the Mercedes-Benz Group (Daimler at that time) joined the multi-stakeholder network of the Global Reporting Initiative (GRI), where it initially was an organisational stakeholder. It later became a Gold Community Member and is now a member of the GRI Community. This report has been prepared in accordance with the GRI standards Comprehensive option.
↗ GRI Index

What has changed in this report?

GRI 102-47/-48/-49

This report is based on the sustainable business strategy of the Mercedes-Benz Group. It is divided into two conceptual levels: “Magazine” and “Reporting”. In the “Magazine” section, we put the external sustainability developments and trends into a context with the internal strategies and measures.

The “Reporting” section provides a detailed description of the goals, due diligence approach, measures and achievements of 2021. It contains detailed reports according to the relevant standards. In order to provide our readers with a faster overview, we have organised the contents according to the ESG (Environmental, Social, Governance) topic areas. We have assigned this information to our six areas of action and three enabler topics, which are cross-sector themes that can also influence the areas of action. The areas of action are: Climate protection & air quality, Resource conservation, Sustainable urban mobility, Traffic safety, Data responsibility and Human rights. The enabler topics are Integrity, People and Partnerships. The overarching management of our sustainability activities is described in the “Sustainable corporate governance” section. On the basis of the 2020 materiality analysis, we have included “Sustainability and customer orientation” for the reporting year and combined it thematically in the chapters “Sustainable corporate governance” and “Climate protection”. For 2021, we have once again presented the sustainability activities in the supply chain in the individual strategic areas of action (Climate protection, Resource conservation and Human rights, as well as Sustainable corporate governance). In addition to our strategic areas of action and enabler topics, we describe the measures we conduct in the area of “Social commitment” in a separate chapter. A new feature is the compact depiction of key figures and data along the value chain.
↗ Materiality analysis
↗ Our value chain

Reporting principles

GRI 102-46

We accept our responsibility for the content of the Sustainability Report 2021. To the best of our knowledge, we have compiled the information in the Sustainability Report 2021 free of material errors or omissions, while taking into account the type of business, the respective information processes, the type of information and the measurement, calculation and estimation measures used. In order to ensure the completeness of the information, we made corresponding omission statements in accordance with the GRI requirements wherever the available data may have been insufficient.

We conducted a comprehensive materiality analysis in 2020 in order to determine which sustainability issues are particularly relevant for the Mercedes-Benz Group (Daimler at that time) and its stakeholders. The analysis addressed both existing strategic areas of action and fundamentals, as well as further potential significant sustainability issues and trends. The analysis consists of the following components: a comprehensive analysis of competitors, media reporting, regulatory requirements, SDG impacts and information relevant to capital markets, as well as a broad-based online stakeholder survey and interviews with experts. In addition, during the preparations for the 2022 materiality analysis, we once again verified the topics by conducting a media analysis in August 2021.
↗ Materiality analysis

We consider the information that is presented on this basis to be balanced, appropriate and complete with regard to the material topics. Facts that are considered relevant in accordance with the legal definition of materiality are part of the Non-financial declaration 2021.
🌐 Non-financial declaration, AR 2021

Reviewed according to ISAE 3000

GRI 102-56

We engaged KPMG AG Wirtschaftsprüfungsgesellschaft to examine Mercedes-Benz Group's sustainability report with limited assurance. The examination was based on the International Standard on Assurance Engagements 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), published by the International Auditing and Assurance Standards Board (IAASB). The main focus of the review was on the Group level and was supplemented by spot checks in individual plants. The following information was reviewed:

- Key figures on energy consumption, CO_2 emissions from energy consumption, water supply and waste by waste category for the reporting year 2021
  ↗ Key figures environment

- Key figures on CO_2 emissions (Scope 1, Scope 2 and Scope 3, except for the depicted life cycle assessments)
  ↗ Calculation and documentation of CO_2 emissions

Pursuant to Sections 315b and 315c of the German Commercial Code (HGB), we report on non-financial matters in our combined management report, which was reviewed with reasonable assurance during the examination of the consolidated financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft. An exception is the information regarding the EU taxonomy, which was reviewed with limited assurance.

Among other things, this Sustainability Report also contains the following information, which has been reviewed with reasonable assurance:

- CO_2 emissions of the new car fleet in Europe in 2021

- GHG CO_2 fleet value in the United States for cars and light trucks of model year 2021

- Fleet consumption value of cars in China (import) in 2021 in l/100 km
  ↗ Development of CO_2 emissions
  🌐 Non-financial declaration, AR 2021

After the review we received an independent assurance report that presents the aim, purpose and foundations of the examination, the work performed and its conclusions. The internal reporting on this is conducted by the Group Sustainability Board.
↗ Independent assurance report

Non-financial declaration (NFS)

Pursuant to Sections 315b and 315c of the German Commercial Code (HGB), we report on non-financial matters in our combined management report, which was reviewed with reasonable assurance during the examination of the consolidated financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft. An exception is the information regarding the EU taxonomy, which was reviewed with limited assurance.
🌐 Non-financial declaration, AR 2021

UN Global Compact Communication on Progress

We have committed ourselves to upholding the ten principles of the UN Global Compact. The Mercedes-Benz Group (Daimler at that time) was one of the first signatories of the UN Global Compact. We are involved in thematic and regional working groups and initiatives of the UN Global Compact. In the reporting year, these included the action platforms "Reporting on the SDGs" and "Decent Work in Global Supply Chains" as well as the UN Global Compact Expert Network and the German Global Compact Network. With this Sustainability Report we are meeting our obligation to report regularly on our initiatives regarding human rights, labour standards and employee rights, environmental protection and the fight against corruption. In July 2021, we submitted the Sustainability Report 2020 together with the document titled "Realising the Blueprint: Corporate Action Plan" as our official UN Global Compact Communication on Progress. We will present the next Communication on Progress in July 2022.
↗ UN Global Compact

Reporting process and quality assurance

We conduct detailed benchmark analyses and we also have an internal process for reviewing our targets, measures and areas of action.

Scope of reporting and data acquisition methods

Economic data

The information about economic relationships that is presented in the Sustainability Report for 2021 is based on data from the Mercedes-Benz Group Annual Report 2021. The annual financial statements of the Mercedes-Benz Group and the combined management report 2021 of Mercedes-Benz Group AG and the Group were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified opinion.
Annual Report 2021

People data

The facts and figures in the People section correspond to the facts and figures in the Mercedes-Benz Group Annual Report 2021. The reporting on human resources data is based mainly on the HR eData and HR ePARS personnel planning and reporting systems. The data from all of the Group's consolidated companies worldwide flows into these two systems. They are based on the respective local HR systems. For Germany, this is ePeople. The texts and diagrams indicate whether the data refers to the entire Group or only to parts thereof.

Data collection on corporate environmental protection

The data in this report reflects the structure of the Group as of 31 December 2021. This structure includes all the production plants of which the Mercedes-Benz Group is a majority shareholder, as well as the German and European locations of the logistics, service and sales units. The locations of Mercedes-Benz Mobility AG are not taken into account. For this reason, the timelines may differ from those of previously published data. New locations are taken into account from the date of commencement of series production. The environmental data for 2021 refers to a total of 30 production locations as well as three more units for research and development, logistics and sales.

Specific environmental and energy data

Resource consumption and emissions are largely dependent on the number of units produced. This is why we calculate specific values for the individual segments. For this purpose, the number of vehicles of the segment manufactured in the consolidated plants is related to the corresponding data of the production plants. We measure the specific values of the Cars and Vans units according to the segmental allocation that has been in force since 2006. The figures for the period through 2020 still contain the data for Daimler Truck AG. Beginning in the reporting year 2021, only the data for the Mercedes-Benz Group is shown. The specific data gained in this way can only serve as general benchmarks, because it does not take into account the different ways in which the vertical integration of production has developed, the diversity of products or the special features of the production network, which in some cases extends across divisions.

Editorial note

GRI 102-51/-52

This report includes data about CO_2 labelling of various vehicles. Further information on official fuel consumption figures and the official specific CO_2 emissions can be found in the guide "Information on the fuel consumption, CO_2 emissions and electricity consumption of new cars", which is available free of charge at all sales dealerships and from Deutsche Automobil Treuhand GmbH (www.dat.de).

Our last Sustainability Report was published on 29 March 2021 under the title "Sustainability Report 2020: SpurWechsel — We Are Changing Lanes". The report for the reporting year 2021 was published on 21 March 2022, under the title "Mercedes-Benz Group Sustainability Report 2021". Our next report is scheduled for March/April 2023.

Forward-looking statements

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, customs and foreign trade provisions; 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 utilise our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labour strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimisation 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 are described under the heading “Risk and Opportunity Report” in the Annual Report. If any of these risks and uncertainties materialise, 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.

Contact for the report

GRI 102-53

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Calculation and documentation of CO_2 emissions

GRI 305-1/-2/-3/-5

The Mercedes-Benz Group calculates and documents its CO_2 emissions in accordance with the 2004 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative according to the categories Scope 1 to Scope 3. Scope 1 and Scope 2 emissions are reported in accordance with the Control approach of the GHG Protocol.

We document all direct CO_2 emissions from our company's own sources (Scope 1), indirect emissions resulting from the generation of the purchased electricity and district heat (Scope 2) and emissions resulting from the use of our products, from the supply chain and from recycling (Scope 3). Thus we also take into account the emissions produced before and after our own activities.

Scope 1: We calculate our direct emissions from the combustion of fuels, heating oil, natural gas and liquefied petroleum gas with fixed CO_2 emission factors as specified by the World Business Council for Sustainable Development (WBCSD) or the German Emissions Trading Office (DEHSt). From 2017 on, this calculation has also included the fuel consumption of our vehicles. It takes into account those vehicles whose fuel consumption is recorded using an in-house invoicing system. Vehicles that are not currently recorded by the system are being integrated into the recording process by means of location-related queries.

Because we primarily consume fuels for non-production purposes (including company vehicles, test stands), we still do not consider the fuels for our production-related goals (energy, CO_2). For this reason, the specific energy consumption and CO_2 emissions (measured per vehicle produced) that constitute the basis for our production-related targets are published without fuel consumption.

Scope 2: We calculate the indirect emissions of district heating and electricity from external sources, differentiated by time and region. Since 2016, accounts of CO_2 emissions have been calculated using the "market-based" accounting approach. This calculation is based on the guideline of the Greenhouse Gas Protocol Initiative for determining Scope 2 emissions, which was published in 2015. For the assessment of "market-based" emissions, we determine the CO_2 emission factors of the local electricity rates or power companies at our worldwide locations. Where such information is not available, we continue to use the current average emission factor published by the International Energy Agency (IEA) for the country in question or according to the Environmental Protection Agency (EPA) for the United States. For the sake of comparison, we also publish the CO_2 emissions of all our locations according to the "location-based" method, which takes only country-specific emission factors into account.

Scope 3: We calculate the CO_2 emissions generated by the use of our products on the basis of our sales figures and the average fleet consumption values. For this calculation, we assume that each car is driven 20,000 kilometres per year for ten years. Additional indirect CO_2 emissions from the supply chain (purchased goods and services) or as a result of the recycling of vehicles are calculated on the basis of vehicle-specific life cycle assessments.

We do not currently calculate the figures for other greenhouse gases across the Group. As the calculation of climate-relevant refrigerants in the German plants shows, these emissions are negligible.

Assurance Report of the Independent Auditor regarding Sustainability Information[1]

To Mercedes-Benz Group AG
(until February 1, 2022: Daimler AG), Stuttgart

We have performed an independent limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information on selected qualitative and quantitative sustainability disclosures in the Sustainability Report 2021 (further "Report") for the business year from January 1 to December 31, 2021 of Mercedes-Benz Group AG (until February 1, 2022: Daimler AG), Stuttgart (further "Company" or "Mercedes-Benz Group").

For the selected qualitative and quantitative sustainability disclosures CO_2 emissions (scope 1, scope 2 and selected scope 3), energy consumption, water withdrawal, waste by category and the qualitative disclosures in the appendix „ Calculation and documentation of CO_2 emissions" (further "sustainability disclosures") a limited assurance engagement was performed.

For the selected quantitative sustainability indicators CO_2 emissions of total passenger car fleet in Europe 2021, GHG fleet figures for CO_2 emissions of 2021 model year (passenger car and light trucks) in the USA and fleet consumption value China (import) 2021 in l/100km (further "sustainability indicators"), a reasonable assurance engagement was performed.

Management's Responsibility

The legal representatives of the Mercedes-Benz Group are responsible for the preparation of the Report in accordance with the therein stated Reporting Criteria.

The responsibility includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual qualitative and quantitative sustainability disclosures, which are reasonable under the circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of a Report in a way that is free of – intended or unintended – material misstatements.

Practitioner's Responsibility

It is our responsibility to express a conclusion based on our work performed within the assurance engagement on the sustainability indicators and the sustainability disclosures described above. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB in the form of a limited assurance engagement for the sustainability disclosures as well as a reasonable assurance engagement for the sustainability indicators.

A. Reasonable Assurance Engagement

Accordingly, we have to comply with our professional duties and to plan and perform the assurance engagement in such a way that we, respecting the principle of materiality, reach a conclusion with a reasonable level of assurance that the above-mentioned sustainability indicators have been prepared in accordance with the reporting criteria in all material respects. The assurance of the sustainability indicators encompasses the performance of assurance procedures to obtain evidence for the information included in the Report.

1 Our engagement applied to the German version of the Report 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative

The choice of assurance procedures is subject to the auditor's own judgement.

We applied professional judgement in determining appropriate audit procedures during the course of our assurance engagement. This includes the assessment of the risks of material misstatement, whether intended or unintended. The auditor considers the internal control system relevant to the entity's preparation of the sustainability indicators in making those risk assessments. The aim is to plan and perform assurance procedures appropriate under given circumstances to audit the sustainability indicators, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An assurance engagement also includes assessing the methods used in determining the sustainability indicators. Within the scope of our engagement, we conducted our procedures primarily on a sample basis.

In particular, we conducted the following procedures to obtain reasonable assurance:

- An evaluation of the design, existence, and testing of the operation of the systems and methods used to collect and process data reported for CO_2 emissions of total passenger car fleet in Europe 2021, GHG fleet figures for CO_2 emissions of 2021 model year (passenger car and light trucks) in the USA and fleet consumption value China (import) 2021 in l/100km, including the aggregation of the data into the information as presented on the Report.

- Auditing the 2021 data using internal and external documentation in order to determine in detail whether the data correspond to the information in the relevant underlying sources, and whether all the relevant information contained in such underlying sources has been included in Mercedes-Benz Group's Report.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

B. Limited Assurance Engagement

This standard requires that we plan and perform the assurance engagement to state with a limited assurance whether any matters have come to our attention that cause us to believe that the above-mentioned sustainability disclosures of the entity for the business year January 1 to December 31, 2021 have not been prepared, in all material respects, in accordance with the Reporting Criteria. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Within the scope of our limited assurance engagement we performed, amongst others, the following procedures:

- A risk analysis, including a media search, to identify relevant sustainability aspects for Mercedes-Benz Group in the reporting period.

- Interviewing management at corporate level responsible for sustainability performance goal setting and monitoring process.

- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the data on sustainability performance indicators, including the consolidation of the data.

- Interviews with relevant staff at corporate level responsible for providing the data, carrying out internal control procedures and consolidating the data.

- Analytical evaluation of data and trends of quantitative information which are reported by all sites on group level.

- Evaluating internal and external documentation to determine whether selected qualitative claims and quantitative indicators on sustainability performance are supported by sufficient evidence.

- Assessment of local data collection and reporting processes and reliability of reported data via sampling survey in Berlin-Marienfelde and Charleston-Ladson.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusions

Based on the procedures performed and the evidence obtained for the limited assurance, nothing has come to our attention that causes us to believe that the selected qualitative and quantitative sustainability disclosures CO_2 emissions (scope 1, scope 2 and selected scope 3), energy consumption, waste, water withdrawal as well as the qualitative disclosures in the appendix "Calculation and documentation of CO_2 emissions" (further "sustainability disclosures") of the Mercedes-Benz Group for the business year from January 1 to December 31, 2021, published in the Report, were not prepared, in all material respects, in accordance with the Reporting Criteria.

In our opinion the selected quantitative sustainability indicators CO_2 emissions of total passenger car fleet in Europe 2021, GHG fleet figures for CO_2 emissions of 2021 model year (passenger car and light trucks) in the USA and fleet consumption value China (import) 2021 in l/100km (further "sustainability indicators") in the Report of the Mercedes-Benz Group for the business year from January 1 to December 31, 2021 are presented, in all material respects, in accordance with the Reporting Criteria.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the legal representatives of the Mercedes-Benz Group, Stuttgart, only.

Our assignment for legal representatives of Mercedes-Benz Group, and professional liability as descriped above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Stuttgart, March 21, 2022
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Engelmann **Herold**
Wirtschaftsprüfer
[German Public Auditor]

GRI Index

GRI 102-55

This report has been prepared in accordance with the GRI Standards: Comprehensive option.

The relevant indicators are directly shown in the texts and combined in the GRI Index.

You can find the GRI Index at: ↗ GRI Index

UN Global Compact

Principles	UN Global Compact Principles	Chapter
Principle 1 Support of human rights **Principle 2** Exclusion of human rights abuses **Principle 3** Freedom of association **Principle 4** Elimination of all forms of forced labour **Principle 5** Abolition of child labour	We assign a very high priority to recognising and protecting human rights within our company and in the locations where we operate. In our Principles of Social Responsibility and Human Rights, which were passed in 2021, we commit ourselves to upholding the International Bill of Human Rights, the United Nations' Guiding Principles on Business and Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. For us as an automaker, the emphasis is on employee rights, fair working conditions, and the rejection of every form of discrimination and of forced labour and child labour. – We are strictly opposed to any kind of child labour as specified by the pertinent ILO Conventions and are committed to abolishing child labour. – We strictly oppose forced and compulsory labour as well as every kind of slavery, including modern forms of slavery and human trafficking. – We acknowledge our employees' right to form employee representative bodies and conduct collective bargaining in order to regulate working conditions. We also recognise their right to strike in accordance with the applicable laws. The overarching human rights activities are directed by the Integrity and Legal Affairs division of the Mercedes-Benz Group AG Board of Management. At the Mercedes-Benz Group, the centre of competence for human rights is the Social Compliance department. In order to ensure effective implementation of our human rights due diligence approach, which is known as the Human Rights Respect System (HRRS), this department works closely with the specialist units responsible for operational implementation, and in particular with the procurement units. In this way, we also emphasize these issues in our corporate governance structure for sustainability. The support of human rights is therefore a key element of our sustainable business strategy. Our Human Rights Respect System enables us to identify and avoid risks and possible negative effects of our business activities on human rights early on. It is applied in our supply chains as well as in our controlled entities.	↗ Human rights 🌐 Principles of Social Responsibility and Human Rights
Principle 6 Prevention of discrimination	We are committed to providing equal employment opportunities and refraining from any kind of discrimination. We stand up for the fair treatment of all employees and do not tolerate any kind of discrimination or unjustified unequal treatment. In order to exclude gender-specific or any other discrimination in our recruitment processes, the fixed base remuneration is based on the individual's function and level. For the same purpose, we have implemented a regular income review that includes mandatory documentation, the inclusion of multiple assessors and a central HR system, which ensures transparency. Our in-house income reviews have shown that the amount of the individual remuneration paid for comparable tasks is determined by factors such as individual performance and experience in a particular function.	🌐 Principles of Social Responsibility and Human Rights ↗ Employees

Principles	UN Global Compact Principles	Chapter
Principle 7 Precautionary environmental protection	The precautionary principle is particularly important when it comes to managing the local effects of our business activities. This applies, for example, to environmental protection in the production process. We have defined structures and processes in our environmental management system with the aim of enabling transparent reporting for our production sites around the world and clear areas of responsibility at all levels. Currently, all of our 30 production sites are certified to ISO 14001, nine sites to EMAS and 18 sites to ISO 50001. In addition, we regularly conduct environmental due diligence analyses at our locations. Our holistic precautionary approach includes a clear definition of environmental protection targets. For example, we want production to be CO_2 neutral at our own Mercedes-Benz Cars and Vans plants worldwide beginning in 2022. Our environmental protection requirements are passed on to our suppliers. For example, we require our suppliers of production materials to operate with an environmental management system that is certified according to ISO 14001 or EMAS. Depending on the specific risks, this also applies to suppliers of non-production materials.	↗ Climate protection ↗ Air quality ↗ Resource conservation
Principle 8 Initiatives for promoting environmental responsibility	The Mercedes-Benz Group systematically compiles key energy and environmental data from its plants in Germany and abroad. The data in this report reflects the structure of the Group in the reporting year 2021. The environmental data for 2021 refers to a total of 30 production locations as well as three more units for research and development, logistics and sales. It does not include the locations of Mercedes-Benz Financial Services. We accept responsibility for making our vehicles climate-friendly and environmentally compatible throughout their entire life cycle: from the procurement of the raw materials and production to the use phase and the disposal and recycling of the vehicles. In addition, we aim to increase our employees' environmental consciousness through our internal governance structures, including the use of non-financial remuneration components.	↗ Climate protection ↗ Air quality ↗ Resource conservation
Principle 9 Development and diffusion of environmentally friendly technologies	The Mercedes-Benz Group has set itself the goal of developing products that are especially environmentally friendly and energy-efficient in their respective market segments. Product development plays a key role in this regard: A vehicle's environmental impact – and that includes its emissions of CO_2 and pollutants – is largely determined during the first phases of its development. The earlier we take environmental aspects into account in this process, the more efficiently we can minimise the environmental impact of our vehicles. We systematically test the environmental friendliness of future products. An important tool in this process is the ongoing documentation of the development process. Here we define specific characteristics and target values – for example, for fuel consumption and pollutant emissions that must be achieved for every vehicle model and every engine variant. In order to further reduce the CO_2 emissions of our vehicles, we are developing all-electric and electrified model variants for all of our vehicle types – from cars to vans. Thanks to our modular development approach, we can quickly transfer technologies between our segments. Our development focus is battery-electric mobility for cars. In our "Ambition 2039" we have set ourselves the target of making our fleet of new cars and vans CO_2 neutral over the vehicles' entire life cycle[1] by 2039.	↗ Climate protection ↗ Air quality

Principles	UN Global Compact Principles	Chapter
Principle 10 Measures against corruption	Our objective is to ensure that all of our employees worldwide always carry out their work in a manner that is in compliance with applicable laws, regulations, agreements with employees' representative bodies, voluntary commitments, and our values, as set out in binding form in our Integrity Code. One of the main objectives of our compliance activities is to ensure that all applicable corruption-prevention regulations are complied with. The Mercedes-Benz Group has committed itself to fighting corruption in its business activities. Along with complying with all applicable laws, this also involves adhering to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). As a member of the UN Global Compact, we also seek to ensure that not only the company itself but also its business partners act in accordance with the principles of the UN Global Compact. The most important goals here are to fight corruption around the world in order to enable fair competition, eliminate the damage corruption does to society, and thus improve conditions for everyone.	↗ Compliance management

1 This includes vehicles that are sold by Mercedes-Benz AG or that are sold by Mercedes-Benz AG as a general contractor, including conversions.

Glossary

Active and passive safety of vehicles
Active safety in vehicles includes emergency braking systems, for example, that help to reduce the severity of – or even entirely prevent – accidents. Passive safety, on the other hand, refers to measures that take effect during or after a collision in order to mitigate the accident's consequences.

Aggregate
Aggregates are materials that are added to a mixture in order to have a positive effect on their properties. For example, crushed natural or artificial rock is used to make concrete and asphalt.

Airflow control
Airflow control systems regulate the volume of incoming and outgoing air in ventilation systems.

Artificial Intelligence (AI)
Artificial Intelligence (AI) refers to computer systems that have features of human intelligence. AI systems can, for example, learn independently, draw conclusions or improve themselves.

Assignees
Employees that are on international assignments. This includes employees who come from abroad and are on international assignments in Germany, employees who come from Germany and are on international assignments abroad, and employees who come from a country outside of Germany and are on international assignments in another country outside of Germany.

Automated Lane Keeping System (ALKS)
UN Regulation 157 for Automated Lane Keeping Systems (ALKS) describes the minimum functional requirements that a conditionally automated system has to fulfil so that a motorist does not have to continuously monitor its operation while driving. The main focus is on regulating the necessary and permissible interaction between the driver and the system. Examples include the handover of driving operation as well as the behaviour of a conditionally automated system while it performs driving tasks (e.g. the way it reacts to unexpected incidents).

Base load
With regard to power supply, the base load is the minimum amount of electric power that has to be generated in order to ensure grid stability.

Bonus-malus systems
Bonus-malus systems serve to influence the behaviour of contractual partners through positive or negative incentives. If contractual obligations are met, this behaviour is rewarded with a bonus. However, if contractual obligations are not met, this behaviour is penalised with reductions in benefits.

California Air Resources Board (CARB)
The California Air Resources Board (CARB) is an organisation of the State of California. CARB's mission is to promote and protect public health, welfare and ecological resources through effective reduction of air pollutants.

Catalytic converter
Catalytic converters are used for exhaust treatment in combustion-engine vehicles. They can greatly reduce pollutant emissions.

Circular economy
The circular economy is an approach in which existing materials and products are used, repaired, reused or recycled for as long as possible in order to extend their life cycle. This minimises waste and the need for primary raw materials. The circular economy is seen as the counter-model to linear economies, in which materials and products are often only used once. In a circular economy, the later recycling of the processed materials is already considered during a product's design phase.

Clean Development Mechanism (CDM)
The Clean Development Mechanism (for environmentally compatible development) was introduced as part of the Kyoto Protocol in order to make it easier for industrialised

countries to achieve their targets for reducing greenhouse gas emissions and at the same time promote technology transfer to developing countries. The mechanism enables emission reduction measures to be implemented in developing countries and the resulting decreases to be certified. The corresponding certificates (Certified Emission Reductions/CER) can be credited to the reduction targets of the industrialised countries.

Climate Pledge
The Climate Pledge is a voluntary commitment by companies to fulfil the goals of the Paris Agreement on climate change ten years earlier than prescribed. The companies who have taken this pledge promise to make their business CO_2 neutral by 2040. The Climate Pledge was created in 2020 by Amazon and Global Optimism.

Closed loop
This refers to the aspiration to close product and raw material loops in order to create a resource-conserving circular economy. Closed-loop recycling aims to put the raw materials that are contained in end-of-life products back into the raw materials loop so that they can be used to make new products.

CO_2 fleet compliance
In addition to limits that individual vehicle models may not exceed for their type approval (e.g. regarding pollutant emissions), the EU also sets CO_2 fleet compliance requirements in terms of a limit value based on the average weight of a manufacturer's fleet. The manufacturer's fleet of new vehicles may not exceed this limit.

Code of conduct
A company's code of conduct provides employees with guidance and encompasses guidelines for responsible, ethical and legally compliant behaviour. In most cases, the guidelines also apply to third parties such as business partners and suppliers.

Concept safety
In this context, concept safety means that the integration of high-voltage components has been carried out from the very start so as to achieve a high level of safety.

Corporate Average Fuel Economy (CAFE) standards
Corporate Average Fuel Economy (CAFE) refers to a legally stipulated minimum for the average fuel economy of a vehicle fleet in the United States. Automakers have to achieve the CAFE standards for their fleets of cars and light trucks in order to be able to sell vehicles in the United States. The limits are recalculated each year.

Customer journey
The customer journey refers to the various stages of a (potential) customer's interaction with a product, brand or company via various touchpoints.

Data Governance Act
The Data Governance Act aims to facilitate innovation in areas such as Artificial Intelligence and mobility. To do so, it seeks to make data more readily available and usable. At the same time, the legislator wants to create the conditions (and a secure environment) for the trustworthy sharing of data. In November 2021, the lead negotiators of the European Council and the European Parliament agreed on a preliminary draft of the act.

Decarbonisation
Decarbonisation is the switch to a carbon-free economy.

Deep learning
Deep learning is a segment of Artificial Intelligence. It is a machine learning method in which artificial neural networks help an algorithm learn to recognise interconnections within a large pool of data.

Degree of motorisation
The degree of motorisation is the ratio between the number of motor vehicles/cars and the number of inhabitants.

Desk analysis
A desk analysis is secondary research in which existing information or the results of earlier surveys are used. This means that data can be collected and analysed from a desk. Sources of such secondary data are, for example, libraries or online databases.

Dry/wet separation technologies
Paint separation systems are technologies that can bind excess paint particles that are released into the air when vehicles are painted. Wet separation uses water to clean the air. Dry separation is a more environmentally friendly variant in which a dry binding substance (e.g. stone dust) is used in order to reduce the amount of water and chemicals that are needed.

Due diligence
In general, due diligence processes involve careful examinations, analyses and assessments of a company. Human rights due diligence encompasses measures that a company employs in order to detect and counteract human rights-related risks in its business operations, its supply chain and the services it uses.

Electric intelligence
A navigation system that employs electric intelligence uses a large number of factors to plan the fastest and most convenient route, including the charging stops, and responds dynamically to situations such as traffic jams or changes in driving behaviour.

Environmental Protection Agency (EPA)
The Environmental Protection Agency (EPA) is an independent executive agency of the United States federal government tasked with environmental protection matters and the protection of human health.

ESG criteria
The acronym ESG stands for Environment, Social and Governance. Within the context of sustainable finance, this abbreviation is used when investment decisions take into account environmental, social and responsible governance aspects.

Ethics by design
The "ethics by design" principle refers to the consideration of ethical questions during the development of products – for example, those involving the use of Artificial Intelligence.

EU taxonomy
EU taxonomy (also referred to as Sustainable Finance Taxonomy) is a classification system that was developed by the European Commission in order to create a shared understanding of the sustainability of business operations within the EU. The aim is to assess business activities throughout the EU according to their sustainability in order to facilitate corresponding financial decisions.

Euro 6d standard
The Euro 6d standard went into effect in January 2021. This emissions standard is valid for newly registered cars and specifies stricter limits for the real emission of air pollutants than the previous standard, Euro 6d-TEMP.

Euro 6d-TEMP standard
The Euro 6d-TEMP standard is a temporary emissions standard that has applied to new vehicle models since September 2018 and that sets limits for pollutant emissions into the atmosphere. The RDE procedure was introduced at the same time as the new standard. The more stringent Euro 6d emissions standard went into effect in 2021.

European Union Emissions Trading System (EU ETS)
The European Union Emissions Trading System is a climate-protection tool for the reduction of greenhouse gas emissions. A government-stipulated upper limit states how many tons of CO_2 may be emitted in total. A company needs an emission allowance for every ton of CO_2. These emission allowances can be freely traded on the market. However, the number of these allowances is limited. This results in a price for CO_2 emissions in order to give companies an incentive to reduce their emissions.

Fair-value-based repairs
Fair-value-based repairs are a repair solution that accords with a vehicle's age and thus its current value. Such repairs employ used – and thus cost-efficient – Mercedes-Benz parts.

Feed-in tariff
Energy producers who feed electricity from renewable energies into the public grid receive a feed-in tariff. It is financed by the consumers via the electricity price and serves to also make energy offers marketable if they cannot compete with fossil forms of energy generation via the market price alone.

Gold Standard
The Gold Standard is the highest quality standard for carbon offsetting projects. Gold Standard projects not only avoid CO_2, they also contribute to the project location's sustainable environmental and social development. The Gold Standard was developed under the direction of the WWF and with the assistance of the German Ministry of the Environment.

Green bonds
Green bonds are securities with a fixed interest rate. They are used to raise capital for sustainable projects such as those promoting renewable sources of energy and sustainable mobility solutions.

Greenhouse Gas Protocol (GHG Protocol)
The Greenhouse Gas Protocol (or GHG Protocol for short) is currently the most commonly used series of accounting standards for greenhouse gas emissions.

High-voltage disconnect device
A high-voltage disconnect device is a safety precaution in electric vehicles that deactivates high-voltage systems. When this system is activated, the residual voltage outside of the battery in a high-voltage system is automatically brought to a non-critical level within a few seconds.

Initiative for Responsible Mining Assurance (IRMA)
The Initiative for Responsible Mining Assurance (IRMA) was created in response to the global demand for socially acceptable and environmentally compatible mining. IRMA provides independent inspections and certifications according to a comprehensive standard for mined raw materials. The standard covers the entire spectrum of risks associated with the effects of industrial mining.

Intrinsic safety
Intrinsic safety is a technical property of a system or device. Special designs ensure that even a breakdown does not cause a dangerous situation to occur.

Live traffic information
Live traffic information systems supply vehicles with traffic data in real time.

Load case
A load case refers to the configuration of a crash test. This includes the number, type and positioning of the crash test dummies on board the vehicle as well as the parameters of the collision configuration, e.g. type of collision, velocity and impact angle.

Lock-in effect
The lock-in effect describes a customer's dependency on a single supplier. The effect is caused by barriers, such as high costs, which make changing providers difficult or uneconomical for the customer.

Machine learning
Computer programs that use machine learning can independently solve problems with the help of algorithms. Machine learning is an element of Artificial Intelligence.

Malicious code
Malicious code or malware refers to computer programs developed to carry out damaging tasks such as stealing passwords or other sensitive data.

Management levels
The managers of the organisational hierarchy of the Mercedes-Benz Group are divided into the management levels 1 through 5. Level 5 is the lowest of these levels, while Level 1 is the highest. Above it is only the Board of Management level.

NEDC
The New European Driving Cycle (NEDC) is a legally prescribed testing process for measuring the fuel consumption and emissions of vehicles. This process was replaced by the WLTP test procedure as of 1 September 2017.

Net zero
Net zero means that a company's net greenhouse gas emissions are zero over a defined period of time. This is achieved by reducing avoidable emissions and offsetting the remaining emissions. Reducing emissions to net zero is necessary to achieve the goals of the Paris Agreement.

Notice of violation
A notice of violation is a written notification from a government agency about a violation of the law.

OECD
Based in Paris, the Organisation for Economic Co-operation and Development (OECD) is an international organisation encompassing 37 member countries that are committed to democracy and a market economy.

OEM
The abbreviation OEM stands for original equipment manufacturer. In the context of the automotive industry, the term OEM is used for companies that produce complete vehicles from components they manufacture themselves or procure from third parties and sell the vehicles on the market.

Partial load
Partial load refers to a machine's mean operating condition between full load (100 per cent of possible output) and no load (the machine is switched off).

Partner protection
Partner protection refers to the protection of occupants in the respective other vehicle during traffic accidents that involve two vehicles.

Peak loads
Peak loads occur in power grids, for example, when energy demand suddenly increases steeply for a short period of time. In order to meet this demand and ensure that supply is uninterrupted, more electricity has to be fed into the grid at short notice. This can be done by means of battery storage devices, for example, or by pumped-storage electrical power stations.

Plug-in hybrid (PHEV)
A plug-in hybrid electric vehicle (PHEV) has a hybrid drive system whose battery can be charged either by a combustion engine or by the power grid.

Post-fossil
The term post-fossil is made up of "post" (Latin "after") and "fossil" and stands for a future era in which dependence on fossil fuels has been overcome.

Privacy by design
Privacy by design is data protection by means of technology design. The basic principle of the approach is that personal data can be best protected if software and hardware are designed and developed to comply with data protection regulations from the very start.

Rated thermal input
The rated thermal input stands for the thermal energy that can be fed to a furnace system in continuous operation by burning fuel. After energy losses are subtracted, the result shows the thermal output of the respective heating system.

Real Driving Emissions (RDE) testing method
The RDE testing method is a measurement procedure for testing the actual emissions behaviour of vehicles in road traffic under real-life conditions.

Rebound effect
The rebound effect occurs when a measure to save energy and other resources – for example through its impact on consumer behaviour – leads to an increase in consumption elsewhere. This effect can cause the intended savings goals to be missed in the overall balance or consumption even to increase.

Record of processing activities
A record of processing activities is an overview of a company's processes for processing personal data that falls under the EU's General Data Protection Regulation (GDPR). This record documents all of the relevant information about the processing of personal data (for example).

Recyclate
Recyclates are secondary raw materials that are recovered during the recycling of plastics that were disposed of at least once previously. They are subsequently used to manufacture new products.

Remuneration framework agreement (ERA)
The remuneration framework agreement (ERA) is the collective bargaining agreement for the standardised regulation of employee remuneration in Germany's metal and electrical industries.

Rescue data sheets
Rescue data sheets contain a standardised depiction of technical information that is relevant for rescue workers. They cover specific vehicle models and make it easier for rescue workers to do their job at an accident site.

Residual energy
Residual energy can be present in the cables of switched-off machines. This can become dangerous if residual electrical or mechanical energy leads to sudden machine movements, for example.

Restraint systems
Restraint systems are in-vehicle safety systems that keep the vehicle occupants in their seats when the vehicle suddenly decelerates. Seatbelts and airbags are examples of such systems.

Ride-hailing
Ride-hailing refers to a form of mobility in which a person uses an app to request a vehicle and driver for a transport service. Unlike the case with ridesharing, the vehicle is not generally shared with other passengers.

Rights-holders
In the field of law, a rights-holder is a person or other legal entity (organisation or living organism) that has specific, legally recognised rights. With regard to human rights, the rights-holders are all human beings, irrespective of their personal characteristics.

Roller test rig
A roller test rig is an instrument for testing various performance aspects of a vehicle. To do this, the vehicle's wheels are attached to a roller to enable the simulation of acceleration effects. This allows drive and braking power to be measured, for example, as well as emissions.

Roller test rig hour
A roller test rig hour (or simply "test rig hour") refers to the length of time that a vehicle was operated on a roller test rig.

SAE Level/automated and autonomous driving
Automated driving features help drivers or perform tasks that motorists used to do on their own. There are five different levels of automation: Driver Assistance (SAE Level 1), Partial Automation (SAE Level 2), Conditional Automation (SAE Level 3), High Automation (SAE Level 4) and Full Automation (SAE Level 5). The degree of automation increases with each level and the driving responsibility that the driver has declines accordingly.

Science Based Targets initiative
The Science Based Targets initiative (SBTi) is a joint initiative of the CDP, the UN Global Compact, the World Resources Institute and the World Wildlife Fund (WWF). It aims to encourage companies to set targets for reducing greenhouse gas emissions in line with the level of decarbonisation that scientists are calling for in order to limit global warming to less than 1.5 °C/2 °C compared to preindustrial temperatures.

Shop floor management
Shop floor management refers to the management of manufacturing and value-added processes by managers who are physically present and active on site.

Sled testing
Sled tests are crash tests in which a vehicle does not collide with a wall or other object. Instead, the vehicle body and the components to be tested are mounted onto a sled that is then suddenly braked. As a result, there is no actual collision.

Sustainability Accounting Standards Board (SASB)
The Sustainability Accounting Standards Board (SASB) is a non-profit organisation in the United States that has developed sector-specific standards for sustainability reporting.

Tank-to-wheel
Unlike the more comprehensive well-to-wheel assessment, tank-to-wheel assessments take into account the chain of cause and effect from the time energy (e.g. petrol or electricity) is put into a vehicle until it is converted into kinetic energy during driving.

Task Force on Climate-related Financial Disclosures (TCFD)
The Task Force on Climate-related Financial Disclosures (TCFD) is a corporate reporting initiative that was created by the Financial Stability Board. Its long-term goal is to incorporate climate-related opportunities and risks into companies' business and financial reports. To this end, it published recommendations in 2017 on how businesses should conduct uniform climate reporting.

Tier 1
Tier 1 refers to the first upstream stage of the value chain, i.e. the direct suppliers. The other stages of the value chain (all the sub-suppliers) are referred to as tier 2 to tier n suppliers.

Tufted velour
In the automotive industry, floor mats are inserted in the footwell of vehicles. These mats are made of either textiles or rubber. Textile floor mats are typically made of polypropylene, polyamide or polyester fibres. They are available as tufted velour, needle felt or non-woven fabric mats. We primarily use tufted velour for our Mercedes-Benz cars. Tufting is a technique for the production of high-quality interior linings for automobiles.

Turbocompressor
A turbocompressor is a machine that can compress air. Compressed air is used, for example, to drive machines in industrial production. Unlike "normal" compressors, turbocompressors are structured like a turbine and have aerodynamic properties, which make them especially energy-efficient.

UN Global Compact
The United Nations (UN) Global Compact is a pact concluded between companies and the UN in order to make globalisation more socially and environmentally friendly. The companies regularly report to the UN on the progress they make.

UN Principles for Responsible Investment (PRI)
The six UN Principles for Responsible Investment were initiated by an international investor network. They aim to make

it easier to understand the effects of investment activities on ESG issues and help the signatories to take ESG criteria into account in their investment decisions.

Underfloor SCR catalytic converter
Selective catalytic reduction (SCR) refers to a technology for reducing nitrogen oxides in exhaust gases. An underfloor SCR catalytic converter is used for the after-treatment of vehicle exhaust. It employs chemical reactions to convert the pollutants in the exhaust gas into non-toxic substances.

Unsprung mass
The unsprung mass refers to the components of a vehicle that are affected by direct impacts on the carriageway. These components include the tyres, rims, brakes and wheel bearings.

Vehicle class N1
Class N1 vehicles are motor vehicles with a gross vehicle weight of up to 3.5 tons and at least four wheels. They are used to transport goods or for another special purpose. Class N1 also includes motor vehicles for passenger transport if they contain no more than eight passenger seats.

Waste hierarchy
A waste hierarchy defines the various approaches for handling waste and prioritises them. The most important measures are those that are especially environmentally compatible. The EU's Waste Framework Directive defines the following five hierarchy levels:
1. Prevention
2. Preparing for reuse
3. Recycling
4. Other recovery, especially incineration for the generation of energy and use as a filling material
5. Disposal

Well-to-tank
A well-to-tank assessment considers everything from the generation of the primary energy (oil, natural gas, electricity etc.) to its provision for use in the vehicle.

Well-to-wheel (WtW)
A well-to-wheel assessment takes into account not only driving operation (as is the case with a tank-to-wheel assessment) but also the production of the energy carrier, such as electricity or petrol.

WLTP
The Worldwide Harmonised Light Vehicles Test Procedure (WLTP) is an international measurement technique for determining how much fuel a vehicle consumes and whether its emissions stay within the prescribed limits. The WLTP replaced the former measurement procedure NEDC on 1 September 2017.

The WLTP cycle is a new driving cycle for measuring emissions that more accurately depicts current driving profiles. It is used to determine certification values for each vehicle on the basis of mass, air resistance, rolling resistance and optional equipment. The assessment includes a test under real-life driving conditions (RDE).

WLTP-TML/ WLTP-TMH
The suffixes "TML" and "TMH" refer to the range of possible assessments that a vehicle can undergo in the WLTP measurement process. The values for aerodynamics, rolling resistance and vehicle mass change depending on the optional equipment used. These circumstances are taken into account in the WLTP cycle. TML (test mass low) stands for the most favourable and TMH (test mass high) for the least favourable case.

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