

Green Finance Investor Report 2024

Mercedes-Benz Group



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Executive Summary

Mercedes-Benz International Finance B.V., a fully owned subsidiary of Mercedes-Benz Group AG (“Group”) issued the Group’s third and fourth Green Bond under its Green Finance Framework in May 2023. The bonds generated total net proceeds of nearly EUR 2 billion, which are fully allocated to projects that directly pave the way to create sustainable value. The framework received the highest rating (“Dark Green”) from the Center for International Climate and Environmental Research (CICERO Shades of Green, now a part of S&P Global).

The implementation of the sustainable business strategy of the Mercedes-Benz Group requires substantial investments. One of the Group’s objectives is therefore to ensure that its own securities are recognised even more strongly on the capital market as sustainable investments.



Green Finance Framework

In order to position the Mercedes-Benz Group as a sustainable corporation for investments even more strongly and to utilize ESG-based capital for business development, the Group updated its [Green Finance Framework](#) in March 2023. This framework makes it possible to finance investments in the development, production and customer financing of all-electric vehicles in a targeted manner, for example through bonds or loans. On this basis, the Mercedes-Benz Group again issued bonds with terms of three and eight years in May 2023.

The framework is based on the Green Bond Principles, voluntary process guidelines of the International Capital Market Association (ICMA). The revised framework was rated by the Centre for International Climate and Environmental Research (CICERO Shades of Green, now a part of S&P Global) and received the highest rating of “Dark Green” and an “Excellent” for its governance structure.

Additional information is available on [Mercedes-Benz Group Website](#).

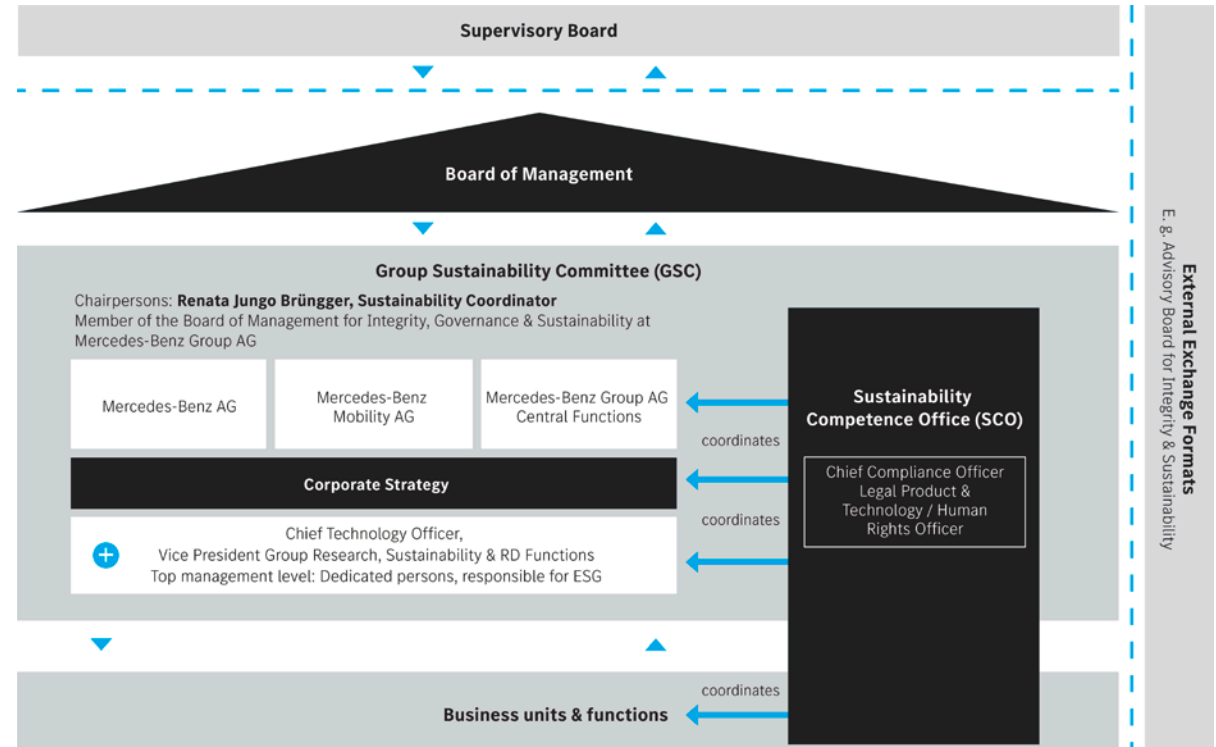


Sustainable Corporate Governance

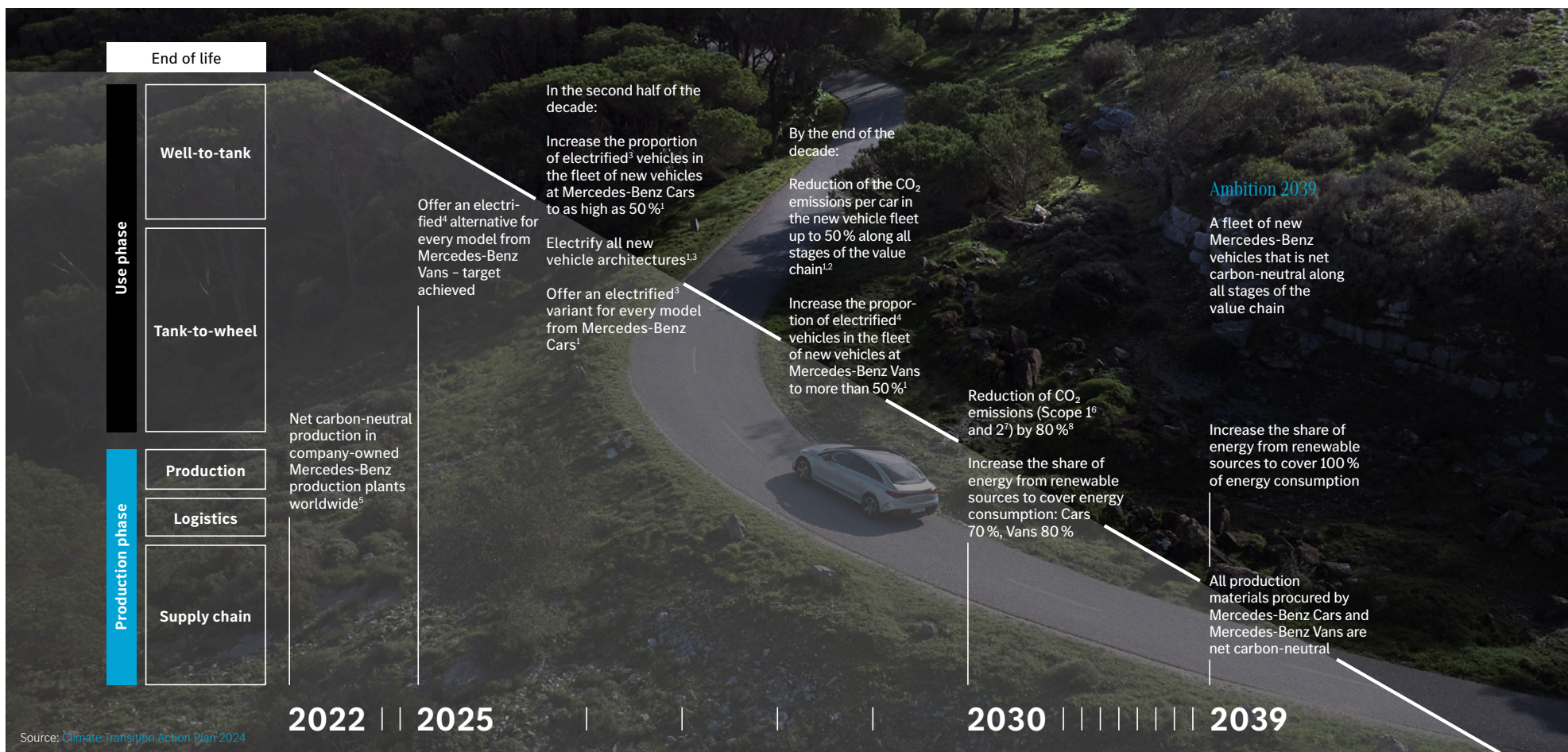
The Mercedes-Benz Group conducts its business activities in line with the sustainable business strategy adopted by the Board of Management in 2019. Sustainability matters thus form an integral part of the business strategy.

The sustainable business strategy is reflected in the organisational structure of the Mercedes-Benz Group: Sustainability and climate protection are an essential part of all business functions, whether research and development, purchasing, finance or other functions. Representatives of these specialist functions meet regularly in central committees that ensure the implementation and further development of the strategy.

The central management body for sustainability is the Group Sustainability Committee (GSC), which reports to the Board of Management of Mercedes-Benz Group AG. The committee meets quarterly chaired by Renata Jungo Brüngger, who as Sustainability Coordinator fulfils a cross-departmental steering and coordination function for Group-wide sustainability management. The GSC is made up of representatives from top management and manages ESG issues holistically across departments, divisions and regions based on targets, KPIs and responsibilities.



The Mercedes-Benz Climate Transition Action Plan 2024 at a glance



1 The pace of transformation is determined by market conditions and customers.
 2 Compared to 2020 (value chain stages: procured goods, production, logistics, fuel and energy generation, driving operation, disassembly and treatment processes).
 3 Plug-in hybrids and all-electric vehicles.
 4 All-electric vehicles.

5 In addition to the production sites of the consolidated subsidiaries, the production sites of the following non-consolidated subsidiaries are included: Star Transmission srl (Cugir, Romania), STARKOM, proizvodnja in trgovina d.o.o. (Maribor, Slovenia) and STARCAM s.r.o. (Most, Czech Republic).
 6 Scope 1 emissions are direct CO₂ emissions from sources for which the company is directly responsible or that it directly controls.
 7 Scope 2 emissions are indirect CO₂ emissions from purchased energy such as electricity and district heating that are generated externally but consumed by the company.
 8 Compared to 2018.

Taxonomy reporting demonstrates progress towards electrification

EU Taxonomy

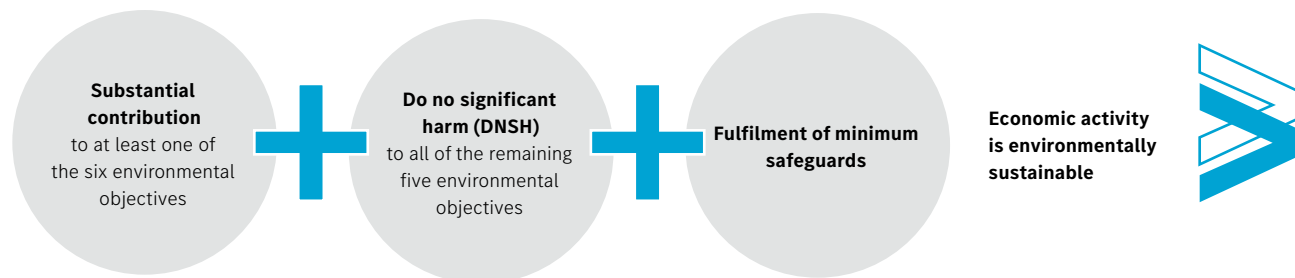
The EU Taxonomy (also known as the Sustainable Finance Taxonomy) is a classification system developed by the European Commission with the aim of creating a standardized understanding of the sustainability of economic activities in the EU for the first time. The aim is to assess business activities throughout the EU according to their sustainability in order to facilitate corresponding financial decisions.

Taxonomy-alignment of capital expenditure

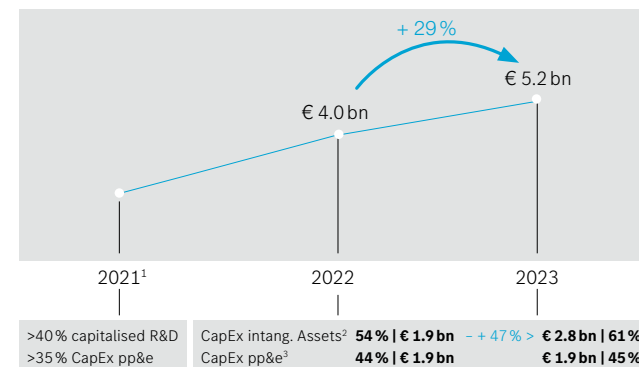
To calculate the Taxonomy-aligned share of economic activities, capital expenditure was examined to determine the extent to which it was associated with low-carbon vehicles (👁️ economic activities 3.3 and 6.5) and with high-power charging stations (👁️ economic activity 6.15) in order to assess whether a substantial contribution had been made to climate change mitigation. Compliance with Do no significant harm (DNSH) and minimum safeguards were also monitored.

i EU Taxonomy. The eligible assets defined in the framework correspond to the classification system of the EU Taxonomy Regulation on environmentally sustainable economic activities and related criteria for the environmental objective of climate change mitigation. Projects financed or refinanced under this framework will be supported by, inter alia, the basis of compliance with the relevant metrics, thresholds and DNSH and minimum safeguards of the EU taxonomy. In this way, we have laid the foundation for the possibility to use the EU's Green Bond Label for future Green Bonds.

EU Taxonomy process



CAPITAL EXPENDITURES



1 Including capital expenditure on non-current assets related to Daimler's commercial vehicle business until its first classification as available for sale or disbursement in accordance with IFRS 5 by July 30, 2021.

Voluntary reporting on the proportion of economic activities relating to low-carbon vehicles (below the limit value of 50g CO₂/km).

2 Mainly capitalised development cost.

3 Including right of use assets.

Our Green Bond Portfolio - Fully allocated towards eligible assets/projects

Project Portfolio of eligible assets as of now



EQS



EQE



EQA



EQB



EQE SUV

Our Green Bonds

2.0 bn EUR

Fully allocated towards Eligible Green Project Portfolio 2017 - 2020

2.0 bn EUR

Fully allocated towards Eligible Green Project Portfolio 2021 - 2022



ISIN	FRAMEWORK	AMOUNT (EUR bn)	COUPON (%)	MATURITY DATE
DE000A289QR9	2020	1.0	0.75	10-Sep-30
DE000A3H3JM4	2020	1.0	0.75	11-Mar-33
DE000A3LH6T7	2023	1.0	3.50	30-May-26
DE000A3LH6U5	2023	1.0	3.70	30-May-31

Portfolio in alignment with EU Taxonomy

The proceeds raised from the Green Bonds issued in 2023 were allocated to the  economic activity 3.3. and the Green Bond Principles Category “Clean Transportation” as outlined in our [Green Finance Framework 2023](#). The Green Bonds issued in 2023 were used for the refinancing of capital expenditures which occurred in 2021 and 2022.

Mercedes-Benz's transformation towards e-mobility

ICMA category of eligibility: Clean Transportation

Assets financed under the Green Bond include the EQA, EQB, EQE, EQE SUV and EQS.¹ This covers about 80 % of unit sales of Mercedes-Benz Cars all-electric vehicles (👁️ BEVs) in the year 2023.² The overall Mercedes-Benz Cars unit sales of all-electric vehicles reached 240,668 units in 2023.

The Mercedes-Benz Group sees the complete electrification of its product range as the most important lever for achieving net carbon-neutrality across all stages of the value chain by 2039. As before, the Mercedes-Benz Group is aiming to shape the transformation towards a software-driven and fully electric future. With regard to its strategy, the Mercedes-Benz Group is staying focused and tactically flexible.

At Mercedes-Benz Cars, sales of all-electric vehicles (BEVs) rose by 61% in 2023. All-electric vehicles thus accounted for a 12 % share of total unit sales (2022: 7 %).

Further information on sales of all-electric vehicles (BEVs) can be found in the [Annual Report 2023](#) or the [Sustainability Report 2023](#).

Mercedes-Benz Cars unit sales		
	2023	2022
Worldwide		
Battery-electric vehicles (BEVs)	240,668	149,227
MBC unit sales (total)²	2,044,051	2,040,719
Europe³		
Battery-electric vehicles (BEVs)	119,808	94,656
MBC unit sales (total)²	658,604	618,904



¹ Further BEVs may be included in future Green Bonds.

² Group sales Mercedes-Benz Cars (incl. smart).

³ European Union, United Kingdom, Switzerland and Norway.



Assessing progress of CO₂ emissions for Mercedes-Benz Cars and related positive impact


The CO₂ impact along the value chain for Mercedes-Benz Cars fleet including scope 1, scope 2 and selected scope 3 CO₂ emission categories concerning the vehicle lifecycle amounts to 46.3 tonnes per vehicle in 2023.¹¹

For the use phase (well-to-tank and tank-to-wheel), compared to 2022 a reduction of 1.6 tonnes CO₂ per vehicle was achieved (2023 compared to 2022). One key lever for this is the electrification of the Mercedes-Benz Cars vehicle fleet.

A description of the "calculation basis can be found in the [Mercedes-Benz Group Sustainability Report 2023](#), chapter Calculation and documentation of CO₂ emissions (Page 80 – 81)".

CO₂ emissions Scope 1, Scope 2 and selected Scope 3 categories worldwide for Mercedes-Benz Cars

Activities (Scope 3 category as per GHG Protocol)	2023 ^{1,10}		2022 ¹⁰		2021 ¹⁰	
	specific CO ₂ in t/car	absolute CO ₂ in million t	specific CO ₂ in t/car	absolute CO ₂ in million t	specific CO ₂ in t/car	absolute CO ₂ in million t
Purchased goods (3.1) ^{2,11}	9.0	18.0	8.7	17.7	8.4	17
Logistics ^{3,11}	1.0	2.0	1.1	2.2	1.1	2.2
Upstream logistics (3.4)	0.35	0,7	-	-	-	-
Downstream logistics (3.9)	0.65	1.3	-	-	-	-
Waste (3.5) ⁴	0.1	0.2	-	-	-	-
Business travel (3.6) ⁵	0.03	0.07	0.028	0.057	0.009	0.019
Employee traffic (3.7) ⁶	0.05	0.11	0.052	0.107	0.053	0.107
Use phase of our products –  well-to-tank (3.11) ^{7,11}	6.6	13.1	6.6	13.6	6.3	12.7
Use phase of our products –  tank-to-wheel (3.11) ^{8,11}	29.1	58.2	30.7	62.7	32.2	65.5
Dismantling and treatment process (3.12) ^{9,11}	0.4	0.8	0.4	0.8	0.4	0.8
Scope 1, 2						
Manufacture ¹¹	0.3	0.4	0.3	0.4	0.7	0.7

1 The key figures were subjected to an audit in order to achieve "limited assurance". The Scope 3 categories listed in the table were audited as per the  GHG Protocol. The categories capital goods (3.2), rented or leased assets (3.8), let or leased-out assets (3.13), franchise business (3.14) and investments (3.15) are not reported due to insufficient data availability.

The categories fuel-related and energy-related activities (3.3) and processing of sold products (3.10) are included in part in category 3.1, but cannot be shown separately due to the accounting method based on product lifecycle assessments. Figures are rounded.


2 The CO₂ emissions of the purchased goods pertain to the emissions of the upstream chain of all passenger cars sold (retail) in the reporting year. They are calculated by means of internal lifecycle assessments audited as per ISO 14040/44 and scaled by vehicle weights. The basis of the data is the respective lifecycle assessment database used in the [360° Environmental Checks](#): Mercedes-Benz models with 360° Environmental Check. | Mercedes-Benz Group > Responsibility > Sustainability > Climate & Environment > Environmental Check).

3 Standard and approach for accounting of the Scope 3 emissions for the upstream and downstream logistics are prescribed by the GHG Protocol. The calculation of the CO₂ emissions of transport services uses the distance-based method and is in consideration of the standards GLEC Framework V2.0, DIN EN 16258 and CleanCargo. Forecast figures.

4 The CO₂ emissions from the disposal and recycling of the Group-wide quantities of waste are calculated by means of generic emission factors for the different kinds of waste treatment. The resulting scrap for recycling is excluded and taken into account in category 3.1.

5 The determination of the Scope 3 emissions for the category business travel is based on booking data received by the Global Travel Management (BCD) of Mercedes-Benz Cars in the reporting year. The kilometres travelled are multiplied by the relevant emission factors for each means of transport. The emission factors for rental cars are based on data from rental car companies, for air travel on the GHG Protocol 2015 depending on length of flight and class, and for train travel on the country-specific worst-case emission factors of the respective railway companies.

6 The Scope 3 emissions for the category employee traffic are calculated based on the number of employees, the average attendance and the emission contribution of the modes of transport used. The following breakdown of the modes of transport was assumed for the European sites: 70% car, 12% public transport and 18% other modes of transport; the breakdown for non-European sites: 90% car, 5% public transport and 5% other.

7 The shown  well-to-tank emissions are based on the electricity/fuel production paths of the respective markets. The absolute CO₂ contribution of the charging electricity amounts of all vehicles is determined by means of CO₂ emission factors for the market-specific power generation. The contribution of Green Charging to CO₂ reduction by the new vehicle fleet of Mercedes-Benz Cars is determined using a combination of different market-specific approaches. The contribution of Green Charging to CO₂ reduction in 2023 is 0.12 t CO₂/vehicle.

8 The calculation of CO₂ emissions is based on the weighted average of CO₂ fleet values, taking into account the currently applicable driving cycles in the respective markets, and includes all vehicles with an assumed mileage of 200,000 km.

9 The end-of-life model incorporated into the lifecycle assessment of a car comprises the dismantling, the shredding process and the downstream treatment of the shredder light fraction. The CO₂ emissions from the power consumption of the shredder and the recycling of the shredder light fraction are taken into account in the Scope 3 category disposal of sold products. No credit notes are issued (cut-off approach) for the created material fractions (e.g. steel, aluminium).


10 Absolute Scope 3 emissions pertain to retail sales (2021: 2,032,663; 2022: 2,041,705; 2023: 2,002,734). Absolute Scope 1 and 2 emissions pertain to vehicles produced at fully consolidated sites, excl. other makes (2021: 1,132,213; 2022: 1,261,106; 2023: 1,306,966; unverified).

11 Selected Scope 3 CO₂ emission categories concerning the vehicle lifecycle. Values are rounded.

Methodology - Further information on Life Cycle Assessment

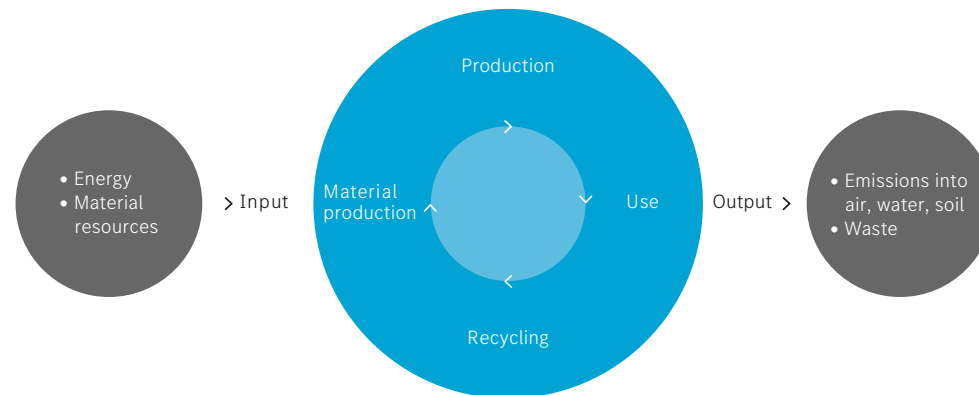
Life Cycle Assessment (LCA)

The standardized tool for evaluating a vehicle's environmental compatibility is the LCA. It comprises the total environmental impact of a vehicle from the cradle to the grave, in other words from raw material extraction through production and use up to recycling.

Life Cycle Assessments are used by the Mercedes-Benz passenger car development division for the evaluation and comparison of different vehicles, components, and technologies. The  DIN EN ISO 14040 and DIN EN ISO 14044 standards prescribe the procedure and the required elements.¹

The elements of a Life Cycle Assessment are:


- 1. Goal and scope definition:** define the objective and scope of an LCA.
- 2. Inventory analysis:** encompasses the material and energy flows throughout all stages of a vehicle's life: how many kilograms of raw material are used, how much energy is consumed, what wastes and emissions are produced etc.
- 3. Impact assessment:** gauges the potential effects of the product on the environment, such as global warming potential, summer smog potential, acidification potential, and eutrophication potential.
- 4. Interpretation:** draws conclusions and makes recommendations.



¹ Mercedes-Benz publishes since 2005 environmental product information as a result of the process of environmentally compatible product development in accordance with the ISO TR 14062 and ISO 14040/14044. Over and above this, since 2012 the requirements of the ISO 14006 standard relating to the integration of environmentally compatible product development into the higher-level environmental and quality management systems have been met, as also confirmed by external auditor.

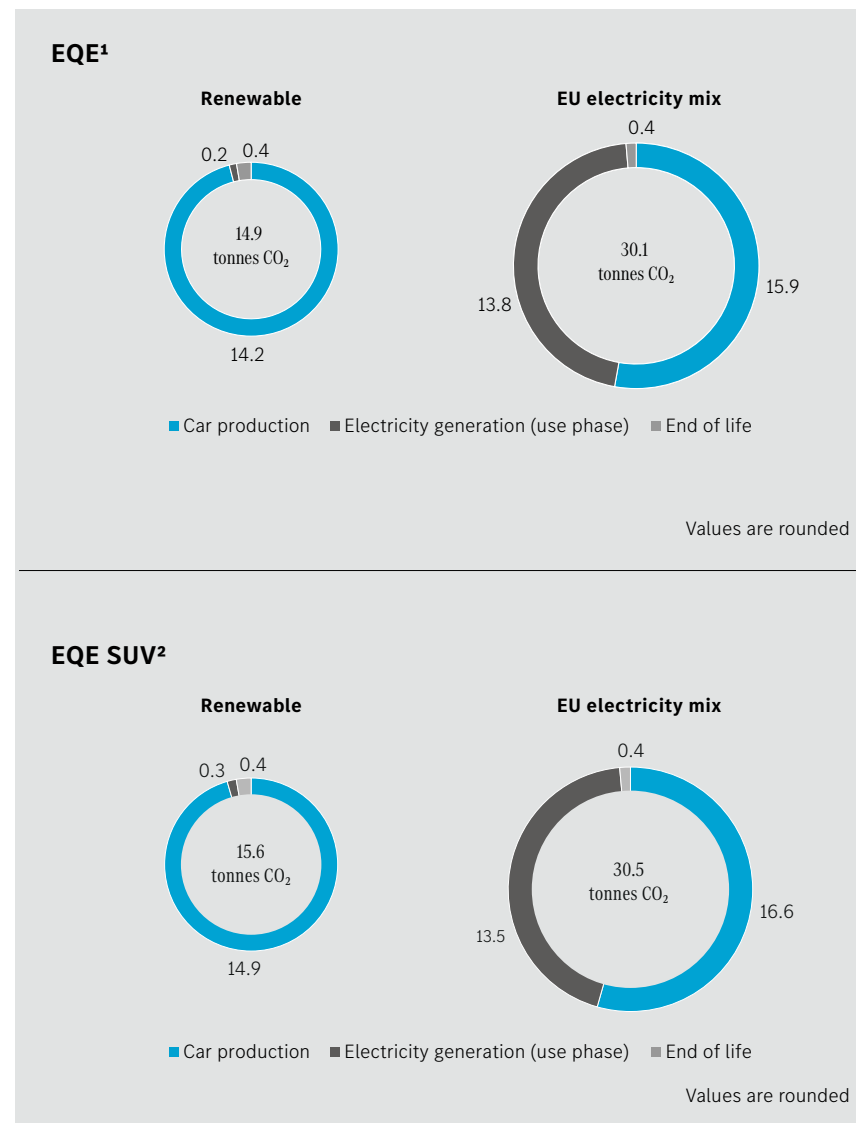
Calculating estimated emissions over life cycle

In this report the results of the comprehensive Life Cycle Assessment (LCA) for the EQE (as of September 2022) and EQE SUV (as of May 2023) that are new to the Green Bond portfolio are illustrated.³ The LCA includes the life cycle phases of material manufacturing, production, use phase – based on the estimated mileage for different model categories (depending on the vehicle cluster) published in the 360° Environmental Checks – as well as the end-of-life. Please find detailed information on the methodology, used software/data base and input data e.g. fuel consumption as well as the use of renewable raw materials and recyclates in the respective 360° Environmental Checks.^{1,2}

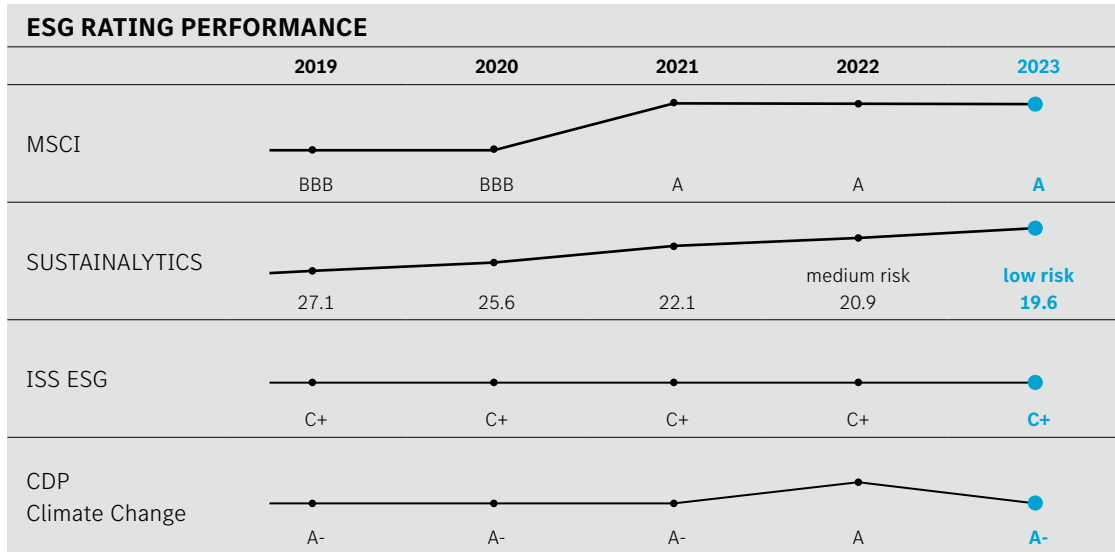
An independent external audit company verified that a critical review of the respective LCA, in accordance with the international standard  DIN EN ISO 14040 and DIN EN ISO 14044, was performed successfully. The LCA of the extraction and production phases is based on each model's roughly 2,500 parts. When it comes to the overall life cycle, the electric vehicles benefit from locally CO₂ emission-free operation and the high efficiency of the electric powertrain. With the increasing electrification of vehicles, two factors are coming more into focus: the production of the high-voltage battery and the generation of the electricity to charge the battery externally. To take this into account, the LCA examines two scenarios. In the “EU electricity mix” scenario, the European electricity mix is used for charging the high-voltage battery. In the renewable scenario, renewable energy is used both for the production of the battery cells (electricity from hydropower and heat from biomass) and for charging (electricity from hydropower). The current understanding is that LCA information reflect the assumptions made during the development of the respective LCA. Generic data or assumptions develop over time and may be subject to change.

ICMA Category: Clean Transportation New eligible projects ³	Total CO ₂ life cycle emissions (EU electricity mix) (in tonnes CO ₂)	Total CO ₂ life cycle emissions (renewable) (in tonnes CO ₂)
EQE ^{1,4}	30.1	14.9
EQE SUV ^{2,4}	30.5	15.6

1 EQE 360° Environmental Check (as of September 2022).
 2 EQE SUV 360° Environmental Check (as of May 2023).
 3 Information on the EQA, EQB and EQS can be found in the [Green Finance Investor Report 2021](#).
 4 Assumed operating life of 250,000 kilometers for the EQE, EQE SUV vehicle cluster.



Mercedes-Benz Group is making substantial progress - Strong rankings across ESG agencies



Status: 04/2024



Glossary

Battery electric vehicles (BEV)

A battery electric vehicle (BEV) is a car that is solely equipped with an electric motor and draws its energy from a traction battery installed in the vehicle, which is charged via the power transmission network.

Economic activities 3.3, 6.5, 6.15

On the basis of the descriptions contained in the delegated acts (Commission Delegated Regulation (EU) 2021/2139 and its supplement, Commission Delegated Regulation (EU) 2023/2485) relating to climate change mitigation, the following Taxonomy-aligned economic activities have been identified for the Group: Economic activity 3.3 encompasses manufacture of 'low-carbon technologies for transport in connection with the production of cars and vans' – Economic activity 6.5 encompasses leasing and financing of 'low-carbon cars and vans' – Economic activity 6.15 encompasses infrastructure enabling low-carbon road transport and public transport (charging infrastructure).

Greenhouse Gas (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.

DIN EN ISO 14040 & 14044

ISO 14040 and ISO 14044 define the standard for an ISO-compliant Life Cycle Assessment (LCA). In order to ensure the comparability of life cycle assessments, the International Organization for Standardization has drawn up two complementary standards: the principles and framework conditions of life cycle assessments are described in ISO 14040, the requirements themselves are set out in ISO 14044.

Tank-to-wheel (Tailpipe)

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.

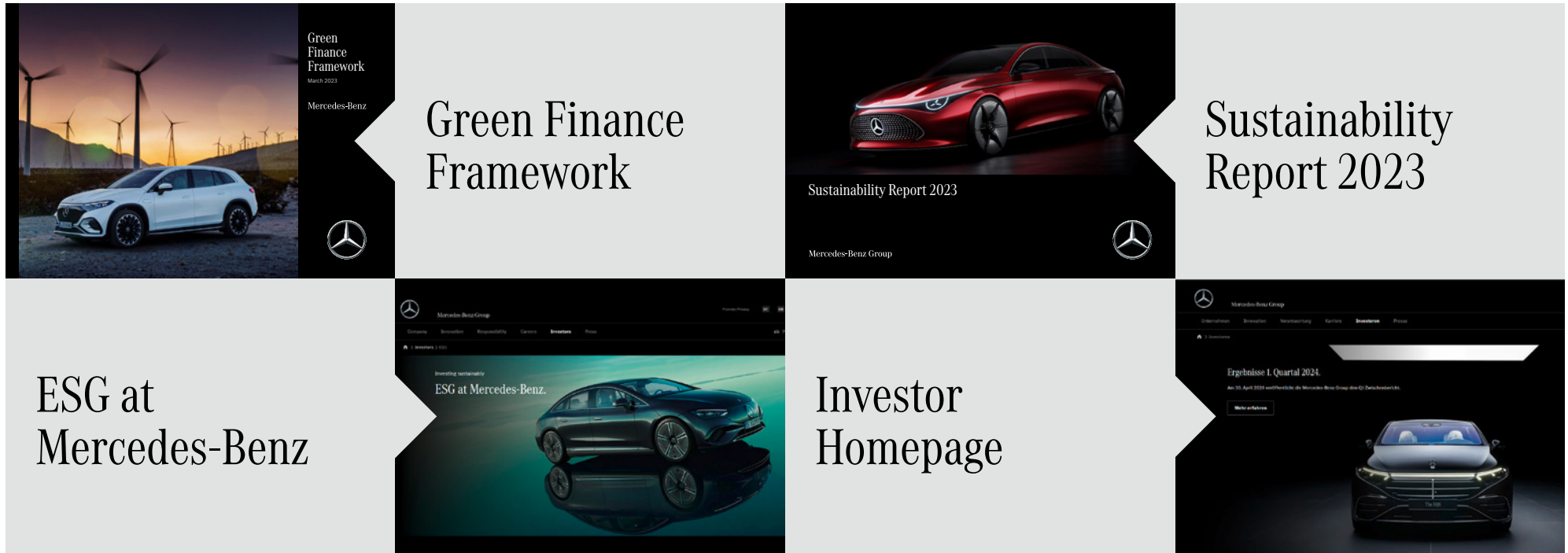
Well-to-tank

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.

WLTP

WLTP (Worldwide Harmonised Light Vehicle Test Procedure – WLTP) is an international measurement standard that is used to determine how much fuel a car consumes and whether it complies with the emission limits. The WLTP replaced the former measurement standard NEDC on 1 September 2017. In the WLTP cycle, certification values are determined for each vehicle from its mass, air and rolling resistance, and optional equipment.

Appendix



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