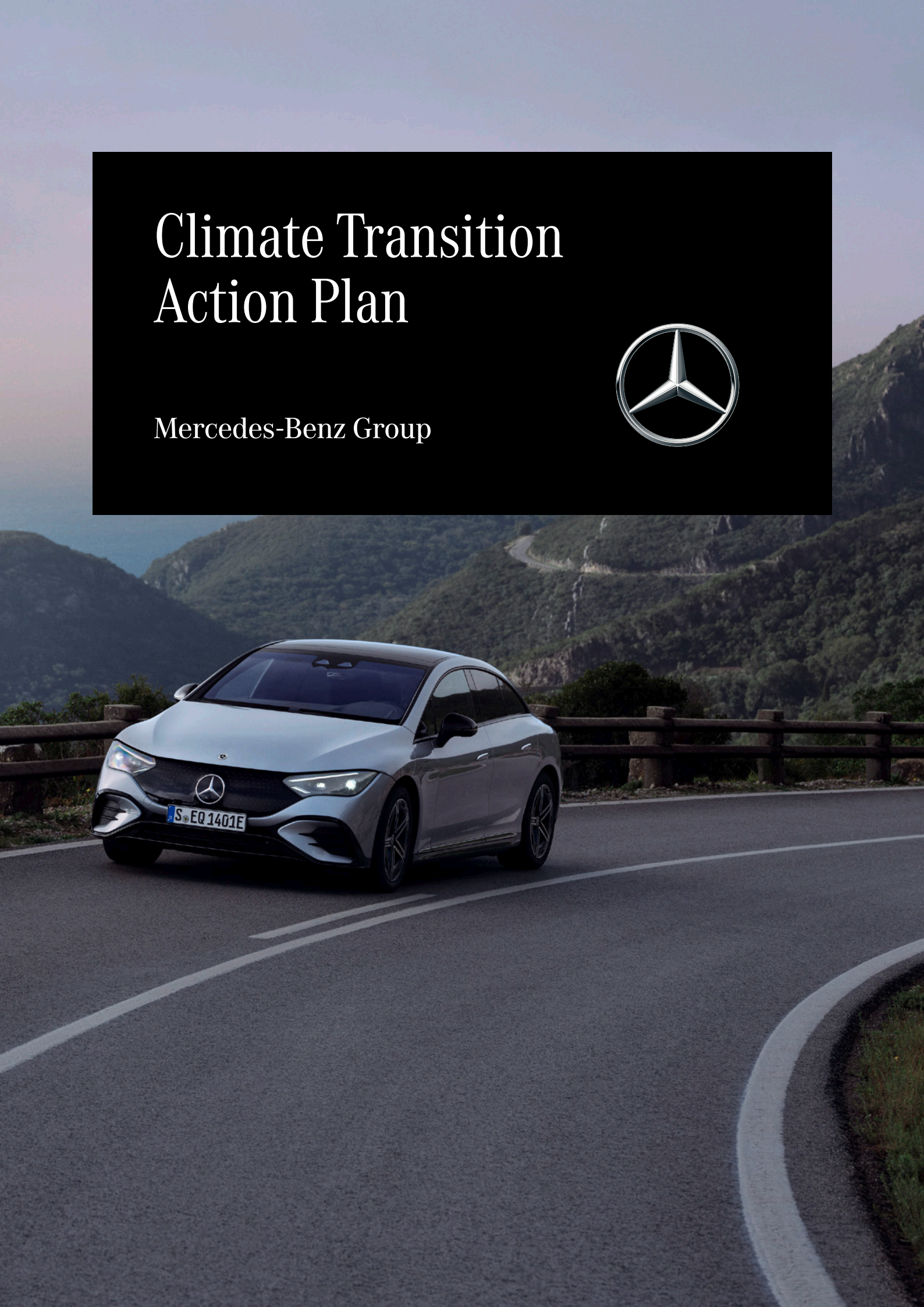
Climate Transition Action Plan

Mercedes-Benz Group



Full electrification of the vehicle fleet - that is one of the goals on the path to a sustainable future that the Mercedes-Benz Group is on. A path for which the Group already set the course in 2019 with its Ambition 2039. For Mercedes-Benz, the topic of sustainability is a holistic approach to the company, its activities, its employees and partners – taking into account all ESG (Environment, Social & Governance) aspects. Decarbonization along the entire value chain is the focus of this holistic approach. That's why Mercedes-Benz is taking the necessary steps to go all electric. However, the electrification of the vehicle fleet is only one of the important levers for achieving the ambitious goals. The decarbonisation of the supply chain and production are also the focus of the Group's actions.

The Mercedes-Benz Group hereby publishes its second action plan for decarbonisation. The Mercedes Benz Climate Transition Action Plan outlines the steps necessary to achieve the set short- and long-term goals on the road to net carbon-neutrality – the Ambition 2039. It describes how the Group's strategy, organisation, assets and processes are geared towards the challenges of transformation and the goals of the Paris Climate Agreement.

The Mercedes-Benz Group is committed to a high degree of transparency. The Climate Transition Action Plan provides a comprehensive but compact overview of the Group's sustainable transformation. Many more details on planned and already implemented measures, goals and initiatives can be found in the following sources:

- Sustainability Report
- Climate Policy Report
- Website Mercedes-Benz Group

The ambition

As a player in the transport sector, the Mercedes-Benz Group supports the Paris Climate Agreement: It is convinced of the objectives of the agreement and is working to implement them in all its divisions. Around one fifth of greenhouse gas emissions in Europe are caused by the transport of people and goods by road. The Mercedes-Benz Group is taking deliberate measures to counteract this trend and has made climate protection a core element of its business strategy. The Group's ambition is to make the entire Mercedes-Benz new vehicle fleet net carbon-neutral[1] across all stages of the value chain by 2039.

The necessary transformation to a climate-neutral society requires the transformation of entire industries. The Mercedes-Benz Group wants to actively shape the transformation of the automotive industry and is transforming its products and the services that are at the heart of its business. Mercedes-Benz is taking the necessary steps to go all electric. At the same time, the Group takes climate protection into account in all life cycle phases of its automobiles – from the supply chain and its own production to the use and disposal of the vehicles.

[1] Net carbon-neutral means that no CO_2 emissions are generated, or any remaining unavoidable CO_2 emissions are offset by certified compensation projects.

Emissions reduction throughout the value chain

The Mercedes-Benz Group sets itself ambitious targets for CO_2 reduction in the individual life cycle phases of its vehicles and systematically analyses the resulting CO_2 emissions and other environmental impacts along its entire value chain: from the supply chain and its own production to the use and disposal of the vehicles.

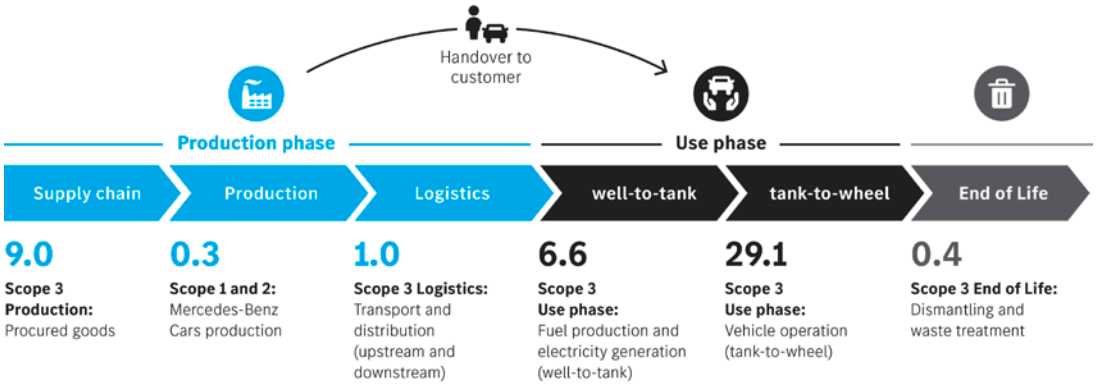
For the entire life cycle of the Mercedes-Benz Cars fleet and the Mercedes-Benz Vans fleet worldwide, Mercedes-Benz calculates emissions in accordance with the requirements of the 2004 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative.

At 78 %[1], the majority of the Mercedes-Benz Group's reported emissions are generated in the use phase, i.e., in the production of fuel and electricity (well-to-tank) and in the operation of its products (tank-to-wheel). Around 18 %[1] of indirect Scope 3 emissions are attributable to the supply chains that provide the Mercedes-Benz Group with goods and services.

The most important levers for reducing CO_2 emissions in the vehicle sector are electrification of the vehicle fleet, charging with green electricity, improving battery technology, decarbonising the supply chain and the comprehensive use of renewable energies in production.

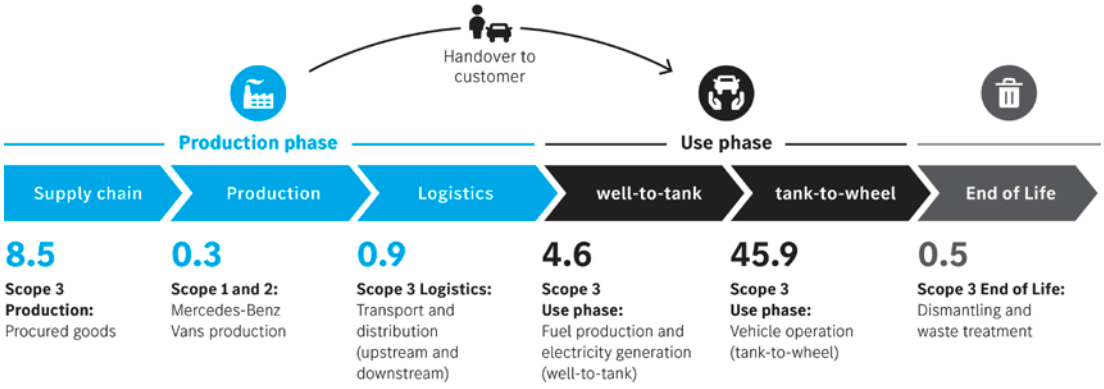
[1] As of 2023

Scope 1, 2 and selected Scope 3 CO_2 emissions in t per vehicle, Mercedes-Benz Cars 2023[1]



[1] A description of the calculation basis can be found in the Mercedes-Benz Group Sustainability Report 2023, chapter Calculation and documentation of CO_2 emissions (Page 80-81). Detailed information on the determination and amount of Scope 3 CO_2 emissions can be found in the table CO_2 emissions Scope 1, Scope 2 and selected Scope 3 categories worldwide for Mercedes-Benz Cars (Page 82).

Scope 1, 2 and selected Scope 3 CO_2 emissions in t per vehicle, Mercedes-Benz Vans 2023[1]



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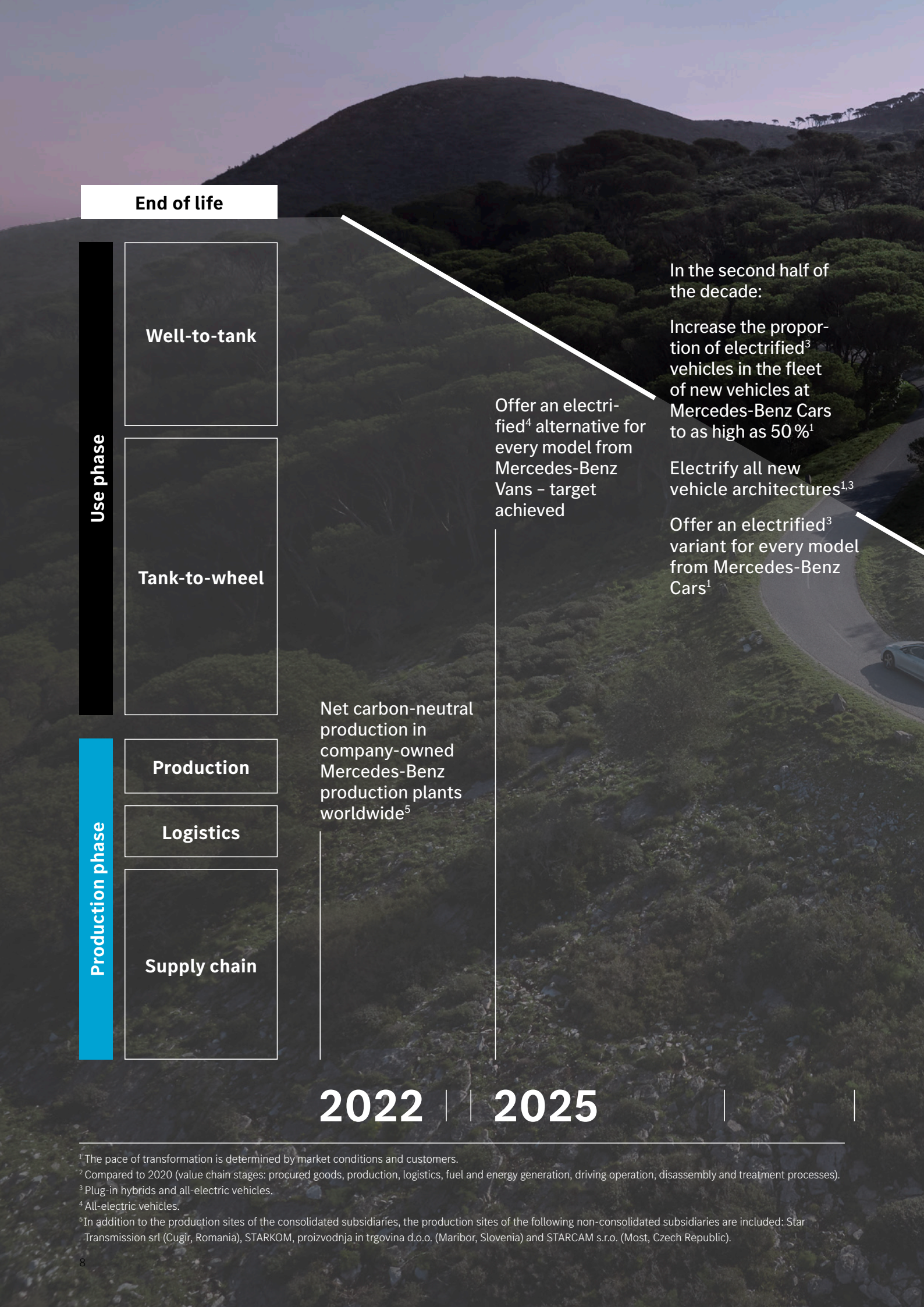
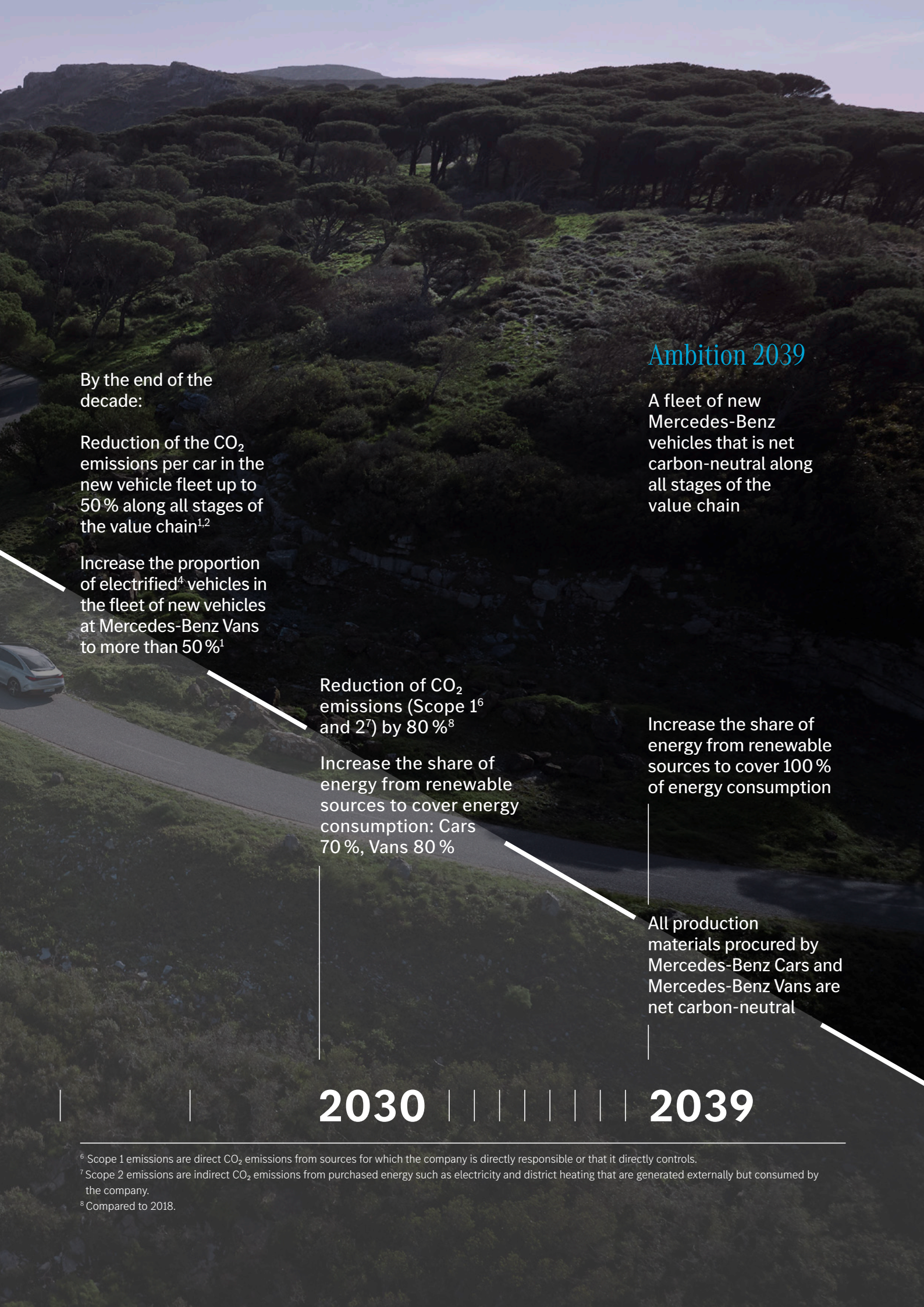
The Mercedes-Benz Climate Transition Action Plan at a glance

With “Ambition 2039”, the Mercedes-Benz Group aims to achieve a **net carbon-neutral new vehicle fleet along the entire value chain and over the vehicles’ entire lifecycle** in less than 20 years. A central point here is the electrification of the vehicles.

On the way to Ambition 2039, Mercedes-Benz Cars has defined an ambitious interim target: by the end of this decade, it aims to **reduce CO_2 emissions per passenger car in the new vehicle fleet up to 50 % along all stages of the value chain compared to 2020**. The focus is on avoiding and reducing CO_2 emissions, which is to be achieved primarily with the transformation towards an all-electric product range and technological innovation in all life cycle phases.



[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).



Ambition 2039

A fleet of new Mercedes-Benz vehicles that is net carbon-neutral along all stages of the value chain

By the end of the decade:

Reduction of the CO_2 emissions per car in the new vehicle fleet up to 50 % along all stages of the value chain[1,2]

Increase the proportion of electrified[4] vehicles in the fleet of new vehicles at Mercedes-Benz Vans to more than 50 %[1]

Reduction of CO_2 emissions (Scope 1[6] and 2[7]) by 80 %[8]

Increase the share of energy from renewable sources to cover energy consumption: Cars 70 %, Vans 80 %

Increase the share of energy from renewable sources to cover 100 % of energy consumption

All production materials procured by Mercedes-Benz Cars and Mercedes-Benz Vans are net carbon-neutral

2030 | **2039**

[6] Scope 1 emissions are direct CO_2 emissions from sources for which the company is directly responsible or that it directly controls.
[7] Scope 2 emissions are indirect CO_2 emissions from purchased energy such as electricity and district heating that are generated externally but consumed by the company.
[8] Compared to 2018.

The Mercedes-Benz Group has defined further targets for its own operations: by 2030, it plans to reduce CO_2 emissions in the production plants (Scope 1 and Scope 2) by 80 % compared to 2018. The share of renewable energies is to be significantly increased. The Group has set itself the target of covering more than 70 % (cars) or 80 % (vans) of its energy requirements in production with renewable energies by 2030. The ambition for all Mercedes-Benz production plants worldwide is to run 100 % on renewable energy by 2039.

Other corporate divisions are also continuously working on decarbonising their own remits. In the supply chain, the company has integrated target values into the criteria for award processes across the board in order to reduce CO_2 emissions, particularly for components from carbon-intensive production processes. The sales organisation also has a roadmap to support sales partners worldwide in their transformation to net carbon-neutrality. Transport logistics focuses, among other things, on logistics network optimisation and cooperation with transport service providers in order to find innovative and climate-compatible transport alternatives.

External validation of targets

The Scope 1 and 2 as well as Scope 3 mid-term emission reduction targets of Mercedes-Benz Cars and Vans were confirmed externally by the Science Based Target Initiative (SBTi) in 2019. Mercedes-Benz Cars and Vans have committed to reducing their absolute Scope 1 and Scope 2 emissions by 50 % by 2030 compared to 2018. This target was already achieved in 2022, which is why the Mercedes-Benz Group plans to reduce CO_2 emissions at its production plants (Scope 1 and Scope 2) by 80 % by 2030 compared to 2018. The target of reducing the CO_2 emissions of the Mercedes-Benz new car fleet by more than 40 % compared to 2018 in terms of the use phase (well-to-wheel) has also been confirmed by the Science Based Targets initiative (SBTi). The annual reporting on the target achievement is carried out as part of the response to the CDP questionnaire (global environmental disclosure system).

At the end of March 2024, the SBTi published a new preliminary guidance for the transport sector, which is valid until the development of a final 1.5°C compliant reduction path for the automotive industry (Sectoral Decarbonisation Approach). The Mercedes-Benz Group is reviewing the criteria and requirements of the corresponding interim solution (as of 04/2024).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How the transformation succeeds

2.1 Use phase

A large part of the CO_2 emissions of cars with internal combustion engines is produced while driving. The Mercedes-Benz Group is therefore convinced that the most important means of decarbonising the industry is the complete electrification of the vehicles. The company has set itself the goal of contributing to the electrification of individual mobility worldwide.

However, there are still obstacles to overcome that require efforts on the part of the business community: For example, the charging infrastructure must not lag behind the demand. The growth rate of renewable energies could also be too slow. The Mercedes-Benz Group is therefore committed to a political and regulatory framework that accelerates the transition to electromobility. However, the Group itself is also continuously working on private and commercial charging solutions for the home, the workplace and public spaces.

The transformation can succeed if customers are enthusiastic about the electrified and digital future. Many of them want to contribute to a more sustainable future without having to compromise on their everyday lives. With its product range, the Mercedes-Benz Group aims to meet both of these customer demands and thus accelerate the transformation.

The all-electric future of vehicles

The Mercedes-Benz Group sees the complete electrification of its product range as the most important lever for achieving net carbon neutrality for the entire new vehicle fleet across all stages of the value chain by 2039.

The Group is sticking to this clearly defined and ambitious goal. At the same time, the Mercedes-Benz Group remains strategically focussed and tactically flexible. Mercedes-Benz Cars and Mercedes-Benz Vans are taking the necessary steps to go all-electric. The pace of transformation is determined by market conditions and customer requirements. Mercedes-Benz plans to be in a position to cater to different customer needs, whether it‘s an all-electric drivetrain or an electrified combustion engine, until well into the 2030s.

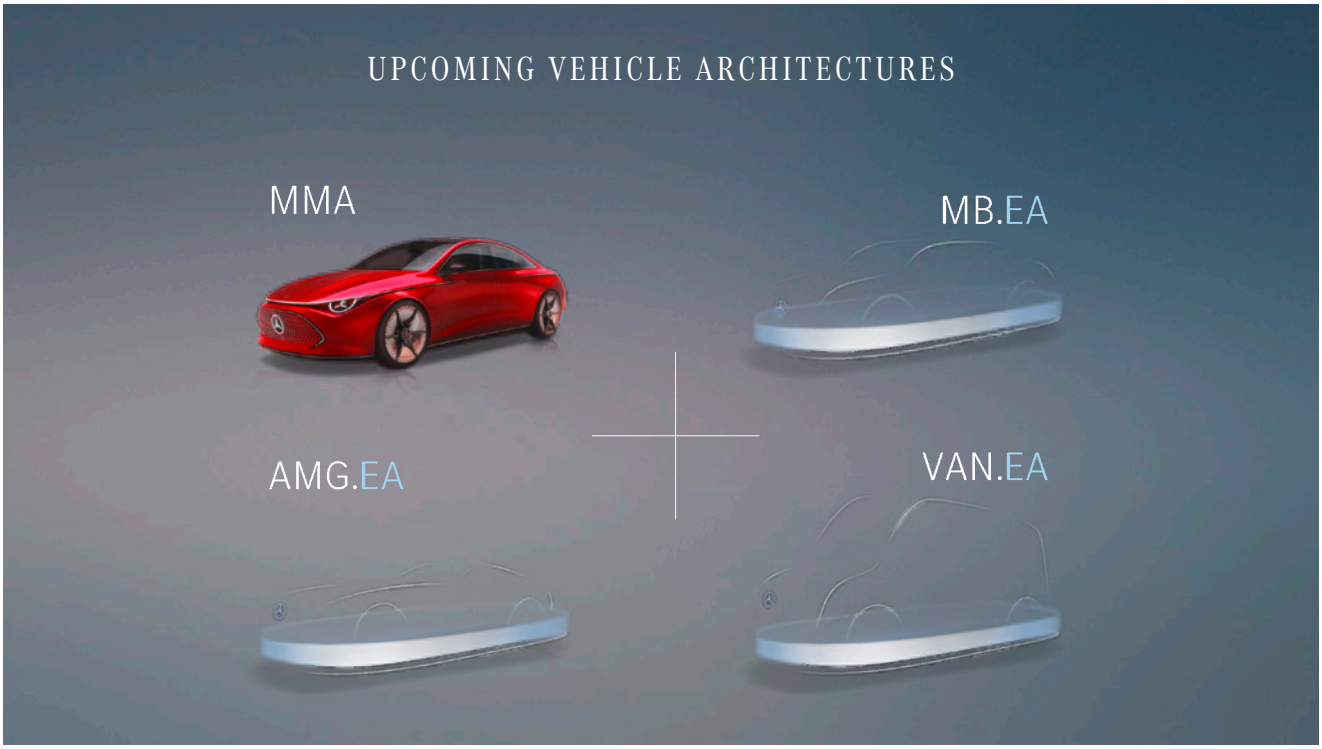
The Mercedes-Benz Group aims to actively improve the framework conditions for electromobility worldwide in order to support the ramp-up of fully electric vehicles. For example, the company is investing extensively and worldwide in the expansion of charging and fast-charging networks – in its own charging parks, known as the Mercedes-Benz Charging Network, but also in networks with other providers.

The Mercedes-Benz Group already confirmed its intention to accelerate the transition to electromobility at the UN Climate Change Conference COP26 in November 2021. In the “COP26 declaration on accelerating the transition to 100 % zero emission cars and vans”, it has joined forces with other companies, cities and governments to work toward a net carbon-neutral transport system of the future.

Fully electric models

The Mercedes-Benz Group has been offering fully electric vehicles since 2018 – and is continuously expanding its portfolio with additional models. All newly introduced vehicle architectures are to be electrified in the second half of the decade. At the beginning of 2024, the Mercedes-Benz Cars portfolio comprised nine all-electric models – from compact vehicles to luxury saloons and SUVs. Mercedes-Benz Vans is also setting the course for a fully electric future: From 2026, all newly developed vans are to be exclusively electric. All model series are already systematically electrified: body manufacturers and customers can choose a fully electric van in every segment – whether for commercial or private use

With the Mercedes-Benz Modular Architecture (MMA), the Group developed a model platform in 2023 primarily geared towards electric vehicles. It is specially designed for a vehicle family consisting of four models with different body variants. The MMA thus forms the basis for the Group’s first vehicle segment to be developed from the outset in line with the principles of Ambition 2039. Mercedes-Benz Cars will launch the first MMA-based vehicle in 2025. Following MMA, the Mercedes-Benz Group will introduce further dedicated EV architectures: MB.EA, AMG.EA and VAN.EA.



Plug-in hybrids
Plug-in hybrids are an important bridging technology on the road to a fully electric future. Mercedes-Benz Cars offers an efficient drive package for this purpose: there were more than 25 different model variants to choose from in 2023. The combination of electric drive and internal combustion engine enables emission-free driving from time to time. The drive system – consisting of an electric motor and a high-voltage battery – can allow all-electric ranges that are sufficient for the majority of daily journeys.

Efficient vehicle concept

Efficient driving and charging reduces the life cycle CO_2 footprint – and is therefore a key lever for achieving the climate protection targets set by the Mercedes-Benz Group. For this reason, the Group focuses on making the entire vehicle concept energy-efficient right from the early development phase, taking all relevant areas into account: aerodynamics, powertrain, rolling resistance, weight, thermal management and on-board power network.

At the beginning of September 2023, the Mercedes-Benz Group presented a new technology demonstrator developed as part of the MMA (Mercedes-Benz Modular Architecture): the Concept CLA Class. This offers a near-series preview of what will be possible in the future in terms of efficiency and electric range. The Concept CLA Class is expected to have a range of more than 750 km (WLTP) and an energy consumption of around 12 kWh/100 km. This makes the Concept CLA Class the “one-litre car” of the electric segment. The technology with which the Concept CLA Class can achieve these values is based on the findings of the VISION EQXX technology programme. As part of this technology programme, additional measures were identified that further reduce the previous energy losses so that the new drive system – from the battery to the wheels – can achieve up to 93 % efficiency on long-distance journeys.

Charging

Green Charging with Mercedes me Charge

The goal of the Mercedes-Benz Group is to drive forward the transformation to sustainable, emission-free mobility. To provide its customers with convenient and green charging, the Mercedes-Benz Group relies on a strong digital ecosystem including vehicle integration and innovative partnerships. For this reason, the Group has made “Green Charging” an integral part of its Mercedes me Charge charging solution in Europe, Canada and the USA. Customers can already charge their vehicle with Mercedes me Charge at over 1.6 million charging points worldwide.

Green charging uses green electricity certificates to ensure that an equivalent amount of electricity from renewable energy sources is fed into the power grid for charging processes via Mercedes me Charge at public charging points if electricity from renewable energies is not yet available. These are green electricity certificates from certified energy generation plants[1] – exclusively wind and solar power plants – that are less than six years old[2]. Where possible, the green electricity certificates are purchased and cancelled in the same country in which the customer is charging. In this way, green charging contributes to the further expansion of renewable energies.

Green Charging in the Mercedes-Benz Charging Network

To improve the framework conditions for the use of electric vehicles worldwide, the Mercedes-Benz Group is also planning to set up a global Mercedes-Benz Charging Network in North America, Europe, China and other core markets. With its own global charging network, the Mercedes-Benz Group seeks to set new standards for fast, convenient and green charging of electric vehicles. The first Mercedes-Benz charging hubs went into operation in China, the USA and Europe in the fourth quarter of 2023. By the end of the decade, more than 2000 charging hubs with over 10,000 charging points are to be created worldwide.

The Mercedes-Benz Charging Network is open to drivers of all brands. Mercedes-Benz customers also enjoy special benefits via the Mercedes me Charge service integrated into the vehicles, e.g. a reservation function to reduce waiting times.

As part of the sustainable corporate strategy Ambition 2039, the Mercedes-Benz Group wants to enable its customers to charge with green electricity. This should preferably be achieved through green electricity supply contracts wherever possible, or by using green electricity certificates from accredited providers. The roofs of selected Mercedes-Benz charging hubs are also equipped with photovoltaic systems.

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[1] EKOenergy in Europe, Green-e in North America

[2] Ensured in all countries with Mercedes me Charge except the UK and Poland.

Services

The Mercedes-Benz Group wants to support the users of its vehicles in adopting a more climate-friendly driving style and in making purchasing decisions in favour of electric vehicles. To this end, it offers a wide range of service solutions.

Interactive online advisory tools make it easier to decide in favour of e-mobility
The Mercedes-Benz Group offers a range of interactive advisory tools relating to electromobility on its website. These tools are designed to help potential customers better understand the benefits of electric vehicles and make an informed decision when choosing their next vehicle. The realistic presentation of various aspects of electric mobility should help to fulfil the customer's expectations of electric vehicles.

App collects data about individual fuel consumption
The Mercedes-Benz Group offers transparent information and possibilities to compare the fuel consumption of its vehicles in Europe: customers can use the free Mercedes me App to voluntarily and anonymously share their individual fuel consumption for almost all model series and compare it with users of similar vehicles.

Saving energy with the Eco Coach
The Mercedes-Benz Group offers users of plug-in hybrid and electric vehicles an app with personalised energy-saving tips, the Mercedes me Eco Coach. The app analyses personal driving and charging behaviour and provides personalised tips on how to reduce the carbon footprint and increase the longevity of the vehicle battery. The app is now available in ten European markets.

2.2 Operations

Production

In its sustainable business strategy, the Mercedes-Benz Group has set itself the holistic goal of making the mobility of the future more sustainable. This applies not only to mobility solutions, but also to the company's own plants.

The Mercedes-Benz Group's aim is for the production in its own plants to be net carbon-neutral by 2039. This is to be achieved by covering energy consumption with 100% renewable energies. On the way there, the CO_2 emissions generated during vehicle production, particularly through the use of fossil fuels, are to be systematically reduced and, where possible, avoided altogether. To achieve this, Mercedes-Benz is focussing on the purchase of green power, the expansion of renewable energies at its own locations and the implementation of a more sustainable heat supply.

By 2030, the Mercedes-Benz Group plans to reduce CO_2 emissions in the production plants (Scope 1 and Scope 2) by 80 % compared to 2018. The target set and confirmed by the SBTi of reducing CO_2 emissions in its own plants (Scope 1 and 2) by 50 % by 2030 compared to 2018 was already achieved by the Mercedes-Benz Group in 2022 and is also being pursued beyond the production sites for the central functions under consideration.

Purchase of green electricity and expansion of renewable energies
The Group has set itself the target of covering more than 70 % (cars) or 80 % (vans) of its energy requirements in production with renewable energies by 2030. The procurement of green electricity plays a key role in these efforts. Since 2022, all of the Mercedes-Benz Group's own production plants worldwide obtain 100 % of their external electricity from renewable energy sources. The Mercedes-Benz Group currently relies on a mix of solar, wind and hydroelectric power for its external electricity procurement in Germany.

The Mercedes-Benz Group is furthermore committed to the expansion of renewable energies at its own locations. By 2025, the Mercedes-Benz Group will make further investments to drive forward the expansion and installation of photovoltaic systems (PV systems) at its locations worldwide. This means that the photovoltaic capacity at the production sites and other locations worldwide is to be expanded to up to 140 MWp by 2025, which corresponds to more than 1,000,000 square metres of solar modules.

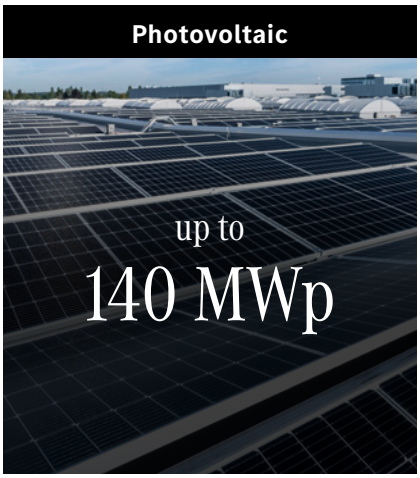
Another focus of the Group's energy strategy is the expansion of the portfolio to include wind energy from onshore and offshore wind farms. In the offshore sector, the Group concluded a power purchase agreement (PPA) with the energy supplier Iberdrola in 2023 for the supply of electricity from the Windanker wind farm in the Baltic Sea. This will secure 140 MW of renewable electricity for the Group from 2027, covering around 30 % of its electricity requirements in Germany.

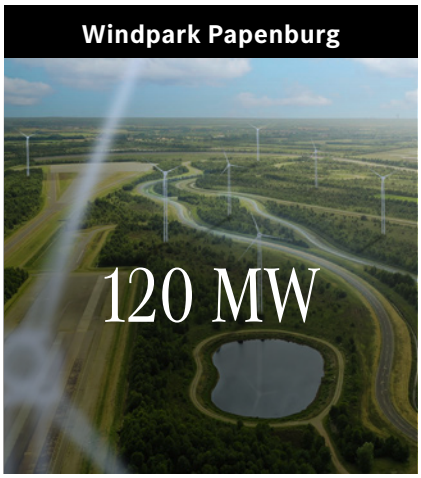
In September 2022, the Mercedes-Benz Group began its planning for the installation of a wind farm on its test site in Papenburg, northern Germany. By the middle of the decade, around 20 wind turbines with a capacity of around 120 MW are to be built on the site as part of a PPA with the German energy park developer Umweltgerechte Kraftanlagen GmbH & Co. KG (UKA). This can cover up to 20 per cent of Mercedes-Benz AG's annual electricity requirements in Germany. An expansion with PV systems is also planned.

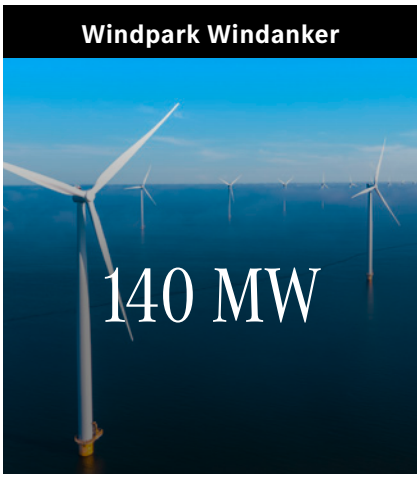
The Mercedes-Benz Group intends to cover more than 50 % of its total electricity requirements in Germany with new solar and wind power plants.

In total, renewable energy sources already cover around 47 % of the total energy consumption of the Mercedes-Benz Cars production sites worldwide. At Mercedes-Benz Vans, the proportion in total energy consumption is 38 %.[1]

[1] Figures as of 2023







More sustainable heat supply
The Mercedes-Benz Group is also using the heat generated for its plants to reduce CO_2 emissions from fossil sources: For example, surface geothermal energy is already being utilised today and heat pumps powered by green electricity are to be put into operation. There are also plans to further reduce the use of fossil fuels such as natural gas by electrifying production processes. Interdisciplinary teams are also examining how renewable heat generation can be further expanded across all locations.

Today, several German Mercedes-Benz production sites use district heating with varying proportions of renewable energy. In addition, some locations receive heat from biomass heating plants.

Energy storage systems
To balance the volatility of renewable energy generation with electricity consumption, the Mercedes-Benz Group is also expanding its energy storage facilities. One approach is to give automotive lithium-ion batteries a second life and use them in a stationary energy storage system, as in Mercedes-Benz Factory 56 in Sindelfingen. Another approach is a new partnership with the German cleantech company CMBlu Energy AG. The first Organic SolidFlow battery storage facility with a capacity of around 11 MWh is planned for 2025 at the plant in Rastatt (Germany). The innovative technology offers high potential in terms of scalability and sustainability. The batteries are fully recyclable, have a long service life and are scalable up to the GWh range.

Energy efficiency
The energy efficiency of a plant is of great importance when it comes to reducing the carbon footprint of vehicle production. Various measures, such as the optimisation of lighting and ventilation technology, the intelligent control of electrical energy supply or the use of efficient and state-of-the-art technology in planning, contribute to significant energy savings in production plants today.

Offsetting CO_2 emissions
Since 2022, all CO_2 emissions (Scope 1 and Scope 2) in the production plants operated by the Mercedes-Benz Group that have been unavoidable to date have been compensated for by carbon offsets from qualified climate protection projects. In particular, remaining emissions are produced in the natural gas-fuelled combined heat and power plants that generate electricity and heat. All production plants operated by the Mercedes-Benz Group have therefore been net carbon-neutral in terms of Scope 1 and Scope 2 since 2022.

For further details on CO_2 offsetting, see chapter 7 Calculation basis and transparency

Logistics

On the road to net carbon-neutral transport logistics, the Group is focussing on avoiding and reducing the CO_2 emissions generated in the global transport network of Mercedes-Benz Cars and Mercedes-Benz Vans. In 2023, around 2.5 million Mercedes-Benz vehicles were transported worldwide. In addition, the European production networks of Mercedes-Benz AG received almost 8.5 million tonnes of production materials. To avoid and reduce the associated CO_2 emissions in rail, air, sea and road transport, Mercedes-Benz AG is continuously optimising its logistics. As part of Ambition 2039, Mercedes-Benz Cars aims to reduce CO_2 emissions from transport logistics by 60 % compared to 2021.

Transferring consignments from road to rail can make a significant contribution to reducing CO_2 emissions. Mercedes-Benz vans for the Austrian market have been arriving in the country by rail from the port of Zeebrugge (Belgium) since the middle of 2023. In 2023, Mercedes-Benz Vans saved more than 60 % of CO_2 compared to road transport. In addition to avoiding air freight, with the transport service provider Kühne + Nagel (AG & Co.) KG, Mercedes-Benz Cars relies on the use of Sustainable Aviation Fuel (SAF) on the route from Stuttgart (Germany) to Birmingham (Alabama, USA) and has thus been able to save more than 10,000 tonnes of CO_2 since April 2023.

In order to reduce CO_2 emissions in maritime transport as well, the Mercedes-Benz Group relies on close cooperation with its transport service providers. Mercedes-Benz AG signed a letter of intent with its partner, the shipping company Wallenius Wilhelmsen Ocean AS, at the beginning of 2023. As part of this partnership, it is supporting the “Orcelle Wind” project as an anchor partner in developing a cargo sailing ship that significantly reduces emissions through additional propulsion with wind energy. Until new alternative propulsion technologies are available, Mercedes-Benz AG is relying on biofuels as a bridging technology to reduce CO_2 emissions in maritime transport. In several projects with the transport service providers Maersk A/S and Hapag-Lloyd AG, it was able to reduce CO_2 emissions by almost 17,000 tonnes.

Together with the MOSOLF Group, which specialises in automotive logistics, Mercedes-Benz Vans is deploying three fully electric car transporters for inner-city shuttle transport between the plant in Düsseldorf (Germany) and the nearby Rhine docks, to further reduce CO_2 emissions in road freight transport.

Sales Operations

The Mercedes-Benz Group has set itself the goal of making its sales organisation more climate-friendly – but this can only be achieved with the support of its sales partners.

By 2030, all sales partners worldwide are to achieve the goal of net carbon-neutral operation. This includes switching to electricity from renewable energies, the energy-efficient renovation of existing buildings and the construction of highly energy-efficient new buildings. This is based on the global CO_2 emissions of the Mercedes-Benz sales organisation and its continuous reporting for subsequent years. This enables the Mercedes-Benz Group to check the effectiveness of the implemented measures, and to measure the realised CO_2 reduction.

In 2023, the Group calculated the global CO_2 emissions of all sales and service locations for the second time. In addition, a “Guidebook Conscious Retail” has been available for all dealers since the first quarter of 2023. This guide provides comprehensive information on the sustainable business strategy of Mercedes-Benz AG and the necessary measures to be taken by dealers. It also lists several best practices that have already been implemented.

Mercedes-Benz AG’s German own-retail outlets have been net carbon-neutral since 2022, in line with the own global Mercedes-Benz plants. The German own-retail outlets have not only focussed on switching to renewable energies across the board in their own business. They also want to make electricity from renewable sources available to their customers and promote electro-mobility in general. Most of the charging points at these outlets are publicly accessible. The car dealerships continued to focus on reducing their energy consumption and increasing their energy efficiency.

IT

Increasing the energy efficiency plays a key role for the Mercedes-Benz Group in establishing a more climate-friendly IT landscape. This includes switching to more energy-efficient public cloud services and transforming the data centres in collaboration with the respective partners. There is an increased focus on energy-efficient data centres, for example in Norway, which benefit from natural cooling. Less efficient data centres are being closed or consolidated and continuously modernised. Over the past two years, more than 30 data centres have been closed, with additional closures planned for the future. The successful transformation has resulted in a significant improvement in Power Usage Effectiveness (PUE) by up to 30 %, which is continuously monitored and further improved. Besides reducing energy consumption, part of the IT strategy is to work with the respective partners to completely switch cloud and data centre operations to green electricity by the end of 2025.

The Mercedes-Benz Group also maintains contacts with research projects and associations to optimise the software code of their applications, thereby saving computing power and energy. In addition, IT plays an important role in driving digitisation and supporting the Group in achieving its transformation goals.

2.3 Supply chain

Sustainable transformation at the suppliers

With its “Ambition 2039”, the Mercedes-Benz Group aims to achieve a net carbon-neutral new vehicle fleet along the entire value chain in less than 20 years. The supplier network plays a decisive role in achieving the climate targets: The production of a fully electric vehicle is around twice as carbon-intensive as that of a conventional combustion engine vehicle, mainly owing to the lithium-ion batteries. The goal for Mercedes-Benz Cars and Mercedes-Benz Vans is to source only net carbon-neutral production materials from 2039 onwards.

In order to reduce CO_2 emissions in the supply chain, Mercedes-Benz Cars and Mercedes-Benz Vans are actively promoting the transformation of the suppliers. They use three levers to achieve this:

- Through the **“Ambition Letter”**, which applies to all newly awarded contracts, suppliers agree to exclusively supply net carbon-neutral products to Mercedes-Benz Cars and Mercedes-Benz Vans by 2039 at the latest. 84 % of Mercedes-Benz Cars and Mercedes-Benz Vans suppliers – measured by annual purchasing volume in 2023, based on planning figures updated every 14 days – signed the “Ambition Letter”.

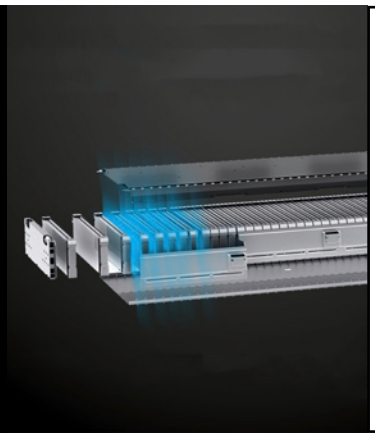
- Mercedes-Benz Cars and Mercedes-Benz Vans have also integrated **target values** for CO_2 emissions into their criteria for award processes – the focus is on components that are produced in a carbon-intensive manner. These targets not only apply to direct suppliers, but also to the upstream production of raw materials and components.

- As a third lever, Mercedes-Benz works together with selected partners. The aim is to use **innovative technologies** to reduce CO_2 emissions in the supply chain – especially in the production of important components such as battery cells or bodyshell components.

CO_2-reduced production materials

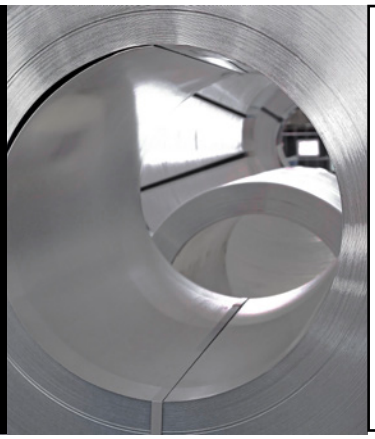
Mercedes-Benz Cars and Mercedes-Benz Vans are setting selected priorities for production materials on the road to net carbon-neutrality. To this end, quantitative interim targets for CO_2 emissions in the supply chains were defined. Mercedes-Benz Cars and Mercedes-Benz Vans have placed the focus on materials and components that have high CO_2 emissions in production. These include steel, aluminium, certain plastics and battery cells.

Batteries



- Agreement with battery cell suppliers on the net carbon-neutral production of battery cells.
- Extending the decarbonisation requirements to the production of the cathode material makes it possible to reduce the CO_2 emissions of a battery cell by around 40 %.
- Further potential in the supply chain is being investigated and realised.

Steel



- Intention to purchase over 200,000 tonnes of CO_2-reduced steel per year from European suppliers for its own press plants before the end of this decade.
- Investments in decarbonising the steel supply chain: Construction of industrial direct reduction plants and smelting units as well as the use of hydrogen and green power as prerequisites for decarbonisation.

Aluminum

- At least a third of the primary aluminium used in Europe for future electric models is to be produced using electricity from renewable sources.
- Technology partnership with aluminium producers for the use of aluminium in vehicles by 2030, whose carbon footprint is reduced by up to 90 % compared to the European average.

Responsible Sourcing Standards

In 2022, the Mercedes-Benz Group adopted the “Responsible Sourcing Standards” (RSS). They form the Group’s central contractual document covering sustainability requirements for suppliers. The standards include its minimum requirements for a responsible supply chain – including environmental protection. They are aimed at conserving natural resources and preventing environmental damage caused by economic activities, as well as remedying such damage if it occurs. If the environmental damage is unavoidable or irreparable, it must be compensated. The Mercedes-Benz Group is thus heightening its sustainability requirements, particularly in the areas of environmental due diligence, climate protection and resource conservation, as well as biodiversity, deforestation, and water. In addition, the standards define minimum requirements with regard to human rights due diligence.

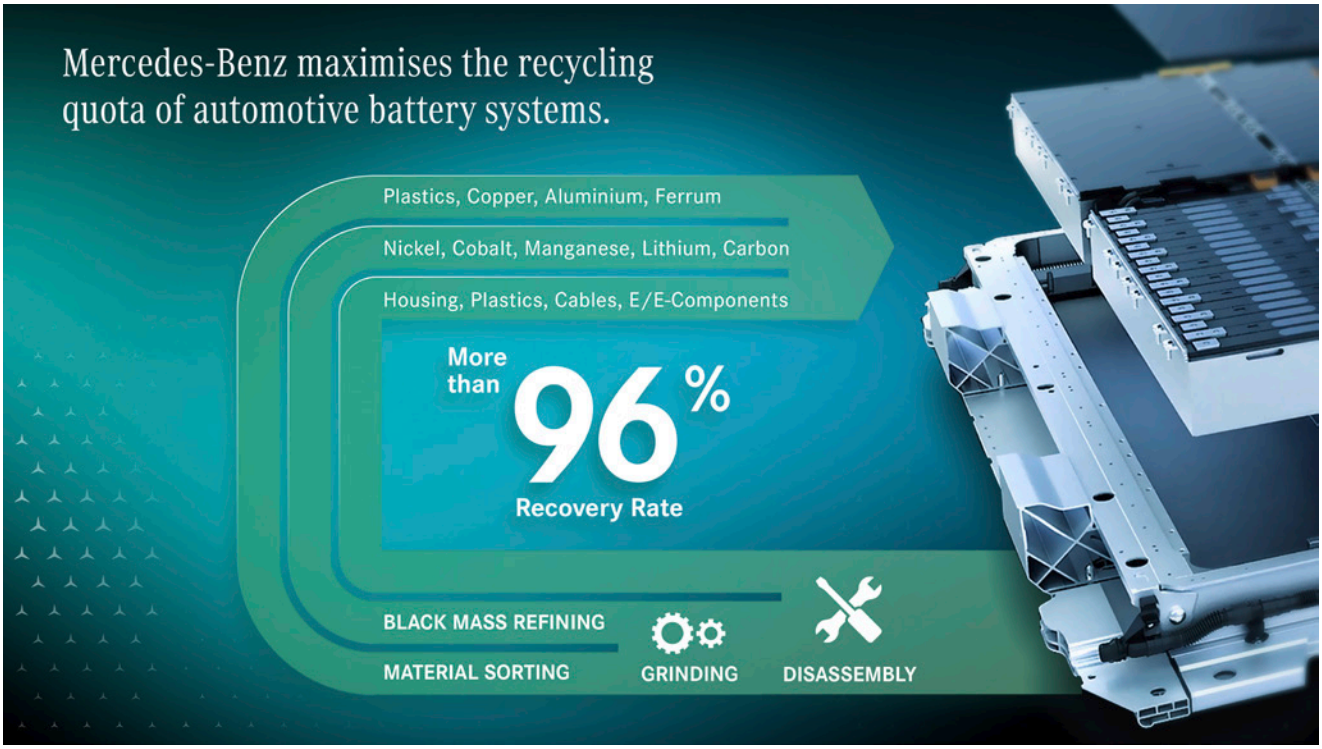
2.4 End-of-life

The Mercedes-Benz Group's responsibility for its products extends over the entire life cycle of the vehicle. This is why the company already considers what will happen to the product at the end of the vehicle life cycle during product development. Reusing and recycling materials are important levers not only to minimise the use of resources, but also the carbon footprint.

The Mercedes-Benz Group's vision therefore is to transform its entire value chain into a closed loop as far as possible. For example, it aims to return its old materials to the material cycle – including the batteries of electric vehicles, which still contain many high-grade materials.

When developing products, the Mercedes-Benz Group keeps the circular economy in mind from the start and draws up a recycling concept for each new model series. For this, it analyses all components and materials and examines the extent to which they are suitable for the various stages of the recycling process.

An important lever of the circular economy for electric vehicles is the battery. Once it is no longer possible to recondition or reuse a battery, it is recycled in order to recover valuable raw materials. This is why Mercedes-Benz AG is building its own net carbon-neutral pilot factory for recycling lithium-ion battery systems in Kuppenheim, where a recycling rate of over 96 % can be achieved thanks to innovative hydrometallurgical technology – subject to promising discussions with the public sector. Based on this technology, Mercedes-Benz AG is also working with partners in China and the USA to create a closed material cycle for battery recycling.



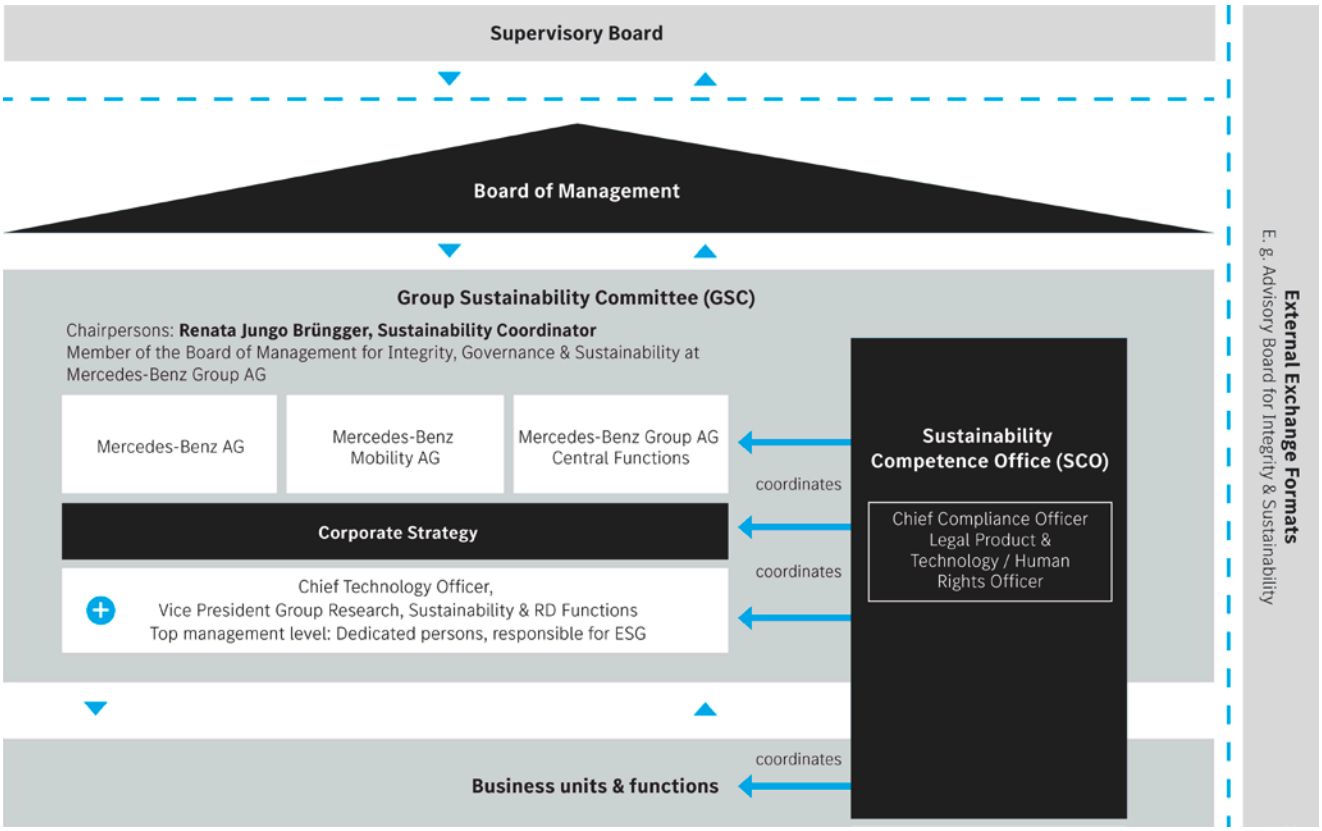
Steering and organisation

Organisational structure & 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.



At the Sustainability Coordination Meeting (SCM), the GSC engages in dialogue with representatives from all relevant departments and specialist areas. The SCM meets regularly every two weeks under the leadership of the Sustainability Competence Office (SCO). This in turn advises and supports the specialist departments in implementing the tasks received from the Board of Management or GSC. In addition, the SCO monitors the progress of the sustainable business strategy. The results are reported to the GSC and the Board of Management at least twice a year in the form of detailed scorecards.

The Supervisory Board of Mercedes-Benz Group AG monitors the implementation of the sustainable business strategy. Sustainability issues relating to the environment, social issues and governance are regularly discussed in Supervisory Board meetings.

Incentivisation

In addition to financial targets, the variable remuneration of the Board of Management and managers of the other management levels one to three, and parts of level four, includes short-term transformation targets for CO_2 emissions, safety innovations and ESG stakeholder management. Since 2023, it also includes long-term sustainability targets for the proportionate sales of plug-in hybrids (PHEV) and fully electric vehicles (BEV), for the review of high-risk production materials as well as for diversity and inclusion. Furthermore, the variable remuneration includes non-financial targets relating to customers, employees and integrity.

Dialogue with stakeholders and experts

The Mercedes-Benz Group attaches great importance to engaging in a dialogue with its interest groups. This dialogue enables the organisation to look at its sustainability commitment from different angles, to identify and pick up on new trends and to share experiences. The “Sustainability Dialogue” is an important instrument in the exchange with stakeholders. In 2023, such dialogues took place in China, Germany, India and the USA.

Another source of impulses for the sustainability activities of the Group is the Sub-Committee for Integrity and Sustainability. Its members are independent external specialists from academia, civil society and business, among them experts from the fields of environmental and social policy, transport and mobility development, human rights and ethics. The members of the Advisory Board give the Mercedes-Benz Group constructive and critical advice on matters of integrity, sustainability and corporate responsibility.

Financial planning

The implementation of the sustainable business strategy of the Mercedes-Benz Group requires substantial investments. The Mercedes-Benz Group is investing significant amounts in all-electric vehicle architectures, drivetrains, and batteries. In 2023, the share of investments in electric vehicles was 47 %.

The Groups taxonomy-aligned capital expenditure increased 29 % year over year in 2023. This was mainly due to an increase of 47% in taxonomy-aligned investments in intangible assets. Above all, this includes capitalised development cost for the transformation to all-electric vehicles.

In addition, the Group is investing in the decarbonisation of its value chain, e. g. charging infrastructure (well-to-tank), end-of-life (recycling), but also in the qualification of its employees.

- To ease the ramp up of electric vehicles the Board of Management of Mercedes-Benz Group AG has adopted the planned capital expenditure for the construction of Mercedes-Benz own high-power charging stations as part of the corporate planning covering the period 2024 to 2028. The CapEx plan contains total capital expenditure in the amount of around €1.4 billion (whereof € 30 million are accounted for the year 2023).

- In Kuppenheim (Germany) the Mercedes-Benz Group is investing a double-digit million Euro amount in the construction of a net-carbon neutral battery recycling factory, cutting resource consumption, and establishing closed-loop recycling of battery raw materials.

- As part of the “Turn2Learn” training campaign for its employees launched in 2022, the Group aims to invest more than € 2 billion in worldwide training by 2030, of which €1.3 billion will be in Germany alone.

The Mercedes-Benz Group’s Green Finance Framework, which was developed in 2020 and updated in 2023, 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.

Sustainability Report Mercedes-Benz Group AG
Task Force on Climate-related Financial Disclosure (TCFD) Report

[1] Proportion of Taxonomy-aligned CapEx PP&E and R&D expenditure Mercedes-Benz Group; detailed reporting on EU Taxonomy in the Group’s Annual Report 2023

Climate scenarios

The Mercedes-Benz Group assesses general, potential climate-related risks and opportunities on the basis of various future scenarios. To identify and assess these risks, it differentiates between various types of risk as part of a scenario analysis:

Transitory climate risks are related to the transition to a low-carbon economy and result from changes in political framework conditions, technological developments and changing markets. In order to obtain a sound basis for its analyses, the Mercedes-Benz Group examines generally recognised scenarios such as the "Net Zero Emissions by 2050 Scenario" (NZE) and the "Sustainable Development Scenario" (SDS) of the International Energy Agency (IEA). Based on the risk dimensions defined in the Task Force on Climate-related Financial Disclosures (TCFD), the following conclusions can be drawn as examples.

- **Technological development:** The analysis of the NZE scenario in particular reveals a significant increase in the share of electric vehicles in the global sales market. Based on the scenario data, a potential risk of losing market share is identifiable if companies are unable to meet this increasing demand. With their orientation as part of "Ambition 2039", Mercedes-Benz Cars and Mercedes-Benz Vans are taking the necessary steps to be able to go all-electric.

- **Market:** Commodity markets have always been volatile, especially against the backdrop of ongoing geopolitical tensions and global crises. The global transformation and digitisation are also leading to increased demand for various battery raw materials, resulting in volatile prices, some of which are also experiencing multiplication owing to speculation. The Mercedes-Benz Group pursues a strategy for all directly and indirectly sourced raw materials that secures requirements in the long term and minimises supply risks. The focus is on the relevant battery materials, among other things. There are various models and strategic partnerships for the procurement of raw materials.

- **Regulatory and political parameters:** Increasing regulatory requirements can lead to technical or financial challenges. Among these, regulations covering vehicle emissions and fuel consumption play an important role. For example, every manufacturer in the EU has to achieve an individual CO_2 target for its new car fleet, and this increases over time. Target achievement is regularly reviewed and is achieved through the development of highly efficient combustion engines as well as purely battery-powered electric vehicles and plug-in hybrids. Thanks to early investment in flexible production and the use of a state-of-the-art production system, Mercedes-Benz can produce fully electric vehicles on a large scale and service the market with various drive technologies.

Long-term **physical risks** resulting from climate change are impacts that arise in connection with the increasing intensity of extreme weather events and changes in climatic conditions, such as flooding or temperature increases. In order to examine potential physical, climate-related risk factors, a climate risk analysis was carried out on the basis of significant climatic dangers. The recognised scenarios of the Intergovernmental Panel on Climate Change (IPCC) SSP2-4.5 and SSP5-8.5 and various time horizons were taken into account. Based on the results, adaptation measures were analysed at relevant locations, including e.g. structural reinforcements to buildings and the construction of reservoirs.

Just transition

Mercedes-Benz' Just Transition Approach

The decarbonisation of the Mercedes-Ben Group's business model leads to profound transformations; not only in terms of technology and products, but also in terms of people working at the Mercedes-Benz Group worldwide or along its complex value chains. The Mercedes-Benz Group is therefore shaping a just transition focusing on the two strategic fields of action "People" and "Human Rights", but also on its responsible policy and community engagement.

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

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

Mercedes-Benz Group's Just Transition Approach

The "Sustainable People Plan" of Mercedes-Benz

As a result of electrification, digitisation, and the increasing use of powerful artificial intelligence (AI) systems the job profiles of employees are changing. Work processes and structures are changing just as fundamentally as tasks and cooperation within the Mercedes-Benz Group.

The aim of the Mercedes-Benz Group is to manage the upcoming changes for the approximately 166,000 employees worldwide in a responsible, socially compatible and future-oriented manner. The prerequisite for a successful transformation is the ability to adapt to a changed environment.

In 2021, the Mercedes-Benz Group revised its Human Relations (HR) strategy in the spirit of responsible and socially acceptable transformation. With its sustainable human resources strategy – the "Sustainable People Plan" – the HR unit is shaping the personnel transformation of the Mercedes-Benz Group by supporting and guiding employees through the transformation. The strategy is based on the following three pillars: Re-Shape, Re-Skill, Re-Charge.

- "Re-Shape" supports the future-oriented positioning of the Group with regard to electromobility and digitisation.
- The aim of "Re-Skill" is to ensure that employees are equipped with the necessary know-how for future activities and tasks.
- With "Re-Charge", the Mercedes-Benz Group is pursuing the goal of retaining trained specialists in the Group through attractive, modern and flexible working conditions and an inclusive, trusting corporate culture, and drawing new talent as an attractive employer.

Sustainability, integrity and diversity as a foundation as well as the "People Principles" complement the HR strategy and are intended to provide support and guidance for day-to-day activities.

Sustainability report Mercedes-Benz Group – People
Website Mercedes-Benz Group – Mercedes-Benz Team

Respecting human rights along the supply chain

The goal of the Mercedes-Benz Group is to combine commercial success with responsible action towards the environment, people and society – and to do so along the entire value chain. Respect for human rights is therefore a fundamental component of responsible corporate governance for the Group and a key area of action for sustainability. The goal is to manufacture products without any human rights violations.

Especially with the expansion of electromobility, there is even more focus on respect for human rights in automotive supply chains. This is because the production of battery cells requires raw materials such as lithium or 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 perspective.

Sustainability Report Mercedes-Benz Group – Human rights
Website Mercedes-Benz Group – Distributing opportunities and risks more fairly

Policy engagement

The sustainable development of the transport sector and the protection of the climate and natural resources pose many challenges. To overcome these challenges, the partnership between politics, business and society plays an important role for the Mercedes-Benz Group. This is precisely where the work of the Mercedes-Benz Group's External Affairs department comes in.

The Mercedes-Benz Group contributes its expertise to the political representation of interests with the aim of achieving the greatest possible overlap between public and corporate interests and thus being part of the solution.

More about the policy engagement of the Mercedes-Benz Group:

Climate Policy Report Mercedes-Benz Group AG
Website Mercedes-Benz Group – How to be a responsible advocate for corporate interests

Community engagement for a just transition to electromobility

The Group together with its employees is committed to being an engaged corporate citizen in shaping a sustainable future and empowered society.

In line with its sustainable business strategy, the Mercedes-Benz Group supports corporate citizenship projects and activities that go beyond core business activities as part of its social commitment. This can be in the context of supporting ecological sustainability, or community empowerment.

In the context of a just transition to electromobility, in particular the value chain for batteries, including the extraction of respective raw materials, has come into focus. Mercedes-Benz AG addresses challenges associated with battery raw material extraction among others by supporting social projects in the supply chain with a focus on preventing child labour and other severe human rights risks by tackling some of its root causes (e. g. extreme poverty, lack of community protection system, limited alternative livelihood opportunities, etc.).

Sustainability report Mercedes-Benz Group – Corporate Citizenship
Website Mercedes-Benz Group – Because our responsibility doesn't end at the factory gate

Climate and nature

The global climate system and nature are closely intertwined. To achieve global climate goals, ways are needed to protect the world's natural carbon sinks and prevent further destruction of ecosystems. Science shows that climate change is already interfering with the balance of nature. An effective climate protection strategy therefore also includes the protection of nature and the sensible use of resources.

Resource conservation

With the rising demand for mobility, the global consumption of resources and the negative consequences for the environment and society also increase. For example, the extraction and processing of primary raw materials are often energy-intensive and lead to emissions of greenhouse gases and other pollutants. The goal of the Mercedes-Benz Group is therefore to decouple resource consumption increasingly from the growth of its production output: it has resolved to increase the use of secondary materials per vehicle. By 2030, the share of secondary raw materials for the passenger car fleet is to be increased to an average of 40 %. The Mercedes-Benz Group's ambition is to transform its entire value chain into a recycling loop as closed as possible. To this end, it aims to return its production waste and used materials to the material cycle, including for example the batteries of electric vehicles, which still contain a considerable quantity of valuable materials.

Nature and biodiversity

The decline of biodiversity is a global problem that is steadily growing. The Mercedes-Benz Group also bears responsibility in this regard, since the use of land and resources, the emission of pollutants and production-related interference with the environment can have a negative impact on biodiversity. The Group is aware of this. For this reason, the goal of the Mercedes-Benz Group aims to act in an environmentally conscious manner at all locations and continuously improve its operational environmental performance. This also includes actively promoting and preserving biodiversity at the production locations. The Group is committed to the three fundamental objectives of the Convention on Biological Diversity (CBD): conservation of biodiversity (genetic diversity, species diversity, habitat diversity), sustainable use of biodiversity and equitable sharing of the benefits arising from the utilisation of genetic resources. With this in mind, the Mercedes-Benz Group has adopted and published its Biodiversity Policy in 2023.

At its own plants, the Mercedes-Benz Group has already established numerous measures designed to maintain the ecological balance. These will continue to be extended in the future. For example, nesting boxes for native birds and insects have been built, wild bee hotels have been set up, living roofs, dry brooks, stone areas as habitats for cold-blooded animals, rock gardens and flower meadows have been created. If it is not possible to establish supportive or compensatory measures directly at the company's locations, the Mercedes-Benz Group will create substitute habitats. The German environmental organisation NABU has provided advice, support and documentation for our programmes benefiting the flora and fauna at these locations.

The Mercedes-Benz Group is also driving the issue forward in the supply chain: It imposes minimum requirements on its partners, which are set out in the Responsible Sourcing Standards (RSS) – the Group's central contractual document for sustainability requirements on the part of suppliers. These aim to ensure that suppliers also conserve natural resources and avoid environmental damage caused by economic activities. Furthermore, business activities must not contribute to or benefit from illegal changes to natural ecosystems. The Group also requires its partners to take appropriate due diligence measures for their own supply chains.

Mercedes-Benz is also endeavouring to further expand its activities to protect biodiversity in the supply chain. To this end, the company is examining the introduction of suitable analytical methods in order to systematically identify significant potential negative impacts on biodiversity in the future.

Mercedes-Benz Biodiversity Policy

Calculation basis and transparency

Calculation of CO_2 emissions

The Mercedes-Benz Group calculates and documents its CO_2 emissions in accordance with the Corporate Accounting and Reporting Standard 2004 of the Greenhouse Gas (GHG) Protocol initiative, in accordance with the Scope 1 to Scope 3 categories. All direct CO_2 emissions from the company's own emission sources (Scope 1), indirect emissions from the generation of purchased electricity, district heating and purchased grey hydrogen (Scope 2) as well as emissions from the use of Mercedes-Benz Group products, the supply chain, transport logistics and the dismantling and recycling process (Scope 3) are documented. The Mercedes-Benz Group therefore also takes into account the upstream and downstream emissions of its activities.

In Scope 3, CO_2 emissions resulting from the use of Mercedes-Benz Group products are determined on the basis of its global unit sales figures and the average standardized CO_2 fleet value. For comparison purposes and across all vehicle segments, an assumed annual mileage of 20,000 km and an assumed operating life of ten years are assumed for each vehicle. In total, the assumed mileage is therefore 200,000 km per vehicle. Other indirect CO_2 emissions from the supply chain (purchased goods and services) or in connection with the dismantling and treatment process of the vehicles are calculated using vehicle-specific life cycle assessments in accordance with ISO 14040/44.

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. The reported Scope 3 categories are selected following a review of relevance and data availability. The following categories are reported: Purchased goods (3.1), Upstream logistics (3.4), Downstream logistics (3.9), Waste (3.5), Business travel (3.6), Employee traffic (3.7), Fuel and electricity production – Well-to-tank (3.11), Driving operations – Tank-to-wheel (3.11) and Dismantling and treatment process (3.12).

In addition to the greenhouse gas CO_2, the Mercedes-Benz Group takes other greenhouse gases into account in its Scope 1 and 2 balances. These greenhouse gas emissions are summarised in CO_2 equivalents alongside the main greenhouse gas CO_2. From 2023, the Group is also reporting biogenic CO_2 emissions from the use of renewable energies (biomass, biogas, etc.) separately in its balances under Scope 1 and 2 in addition to fossil CO_2 emissions.

Further information on the calculation of CO_2 emissions as well as current and past emissions data are published in the Mercedes-Benz Group Sustainability Report.

Mercedes-Benz Group Sustainability Report

Transparency in the supply chain

The complex supply chains in the automotive industry pose a particular challenge for data transparency. This is why Mercedes-Benz AG is involved in the “Catena-X” cooperation project. The project networks companies across industries in an overarching data ecosystem, and thus allows a secure data exchange between all participants in the automotive value chain: From the mining of raw materials to recycling, the data chain is to be supplemented with CO_2 data from each company so that a product-specific CO_2 footprint – which should contain as much primary data as possible – can be shared. In the “Catena-X” project group “Sustainability and CO_2”, Mercedes-Benz AG and other partners have developed standards to make the calculation and exchange of CO_2 data reliable and secure.

CO_2 offsetting and the future of CO_2 removal

Ambition 2039 focuses on avoiding and reducing CO_2 emissions. Decarbonisation can work if emissions are consistently reduced and, where possible, avoided altogether.

Since 2022, all CO_2 emissions (Scope 1 and Scope 2) at the production plants operated by the Mercedes-Benz Group that have been unavoidable to date have been compensated for by carbon offsets from qualified climate protection projects.

All offsetting projects comply with international accounting requirements and the high quality requirements of the Gold Standard. In this way, the Mercedes-Benz Group supports projects that meet very high quality criteria, are subject to a reliable calculation methodology and avoid double counting. 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 are located. The portfolio includes offsetting projects such as small biogas plants in Nepal and projects for CO_2-reduced drinking water treatment in Nigeria and Kenya.

According to the Intergovernmental Panel on Climate Change (IPCC), the global climate targets cannot be achieved through reduction measures alone. In addition, CO_2 would also have to be removed from the atmosphere. The Mercedes-Benz Group therefore seeks to expand its portfolio to include carbon removal projects. In 2023, the Group made its first small contribution to carbon removal through a high-quality biochar project. Further expansion of the portfolio is planned from 2024. In this way, the Mercedes-Benz Group wants to support the development of carbon removal solutions with high quality and integrity and pave the way for the future.

Internal CO_2 pricing

To accelerate the transformation in internal decision-making processes, the Mercedes-Benz Group uses internal CO_2 transfer prices.

In product development, the Group applies market-specific internal CO_2 transfer prices. Based on these CO_2 transfer prices, measures to reduce CO_2 emissions while driving, and to increase the energy efficiency of vehicles are monetised and evaluated in order to ensure that CO_2 targets are achieved cost-effectively. In its own production and logistics, the Group uses an internal CO_2 transfer price to evaluate sustainability-related investment decisions.

Measuring the target achievement

The implementation of Ambition 2039 and of the CO_2 reduction measures is continuously monitored in the relevant internal committees and progress is documented annually in the Group's sustainability report. The process is certified by an external auditing company.

Mercedes-Benz Group Sustainability Report

Contact: sustainability@mercedes-benz.com
April 2024