



Mercedes-Benz

March 21, 2025

ATTN: ww2.arb.ca.gov/public-comments: Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219

Mercedes-Benz Research & Development North America, Inc., and Mercedes-Benz USA, LLC, together on behalf of the manufacturer of Mercedes-Benz vehicles, Mercedes-Benz Group AG (hereinafter "Mercedes-Benz"), appreciate the California Air Resources Board's (CARB) efforts to solicit input on how to implement Senate Bill (SB) 253, The Climate Corporate Data Accountability Act, and SB 261, Climate-Related Financial Risk. We would like to offer input as an automaker with vast experience in reporting greenhouse gas (GHG) emissions globally. While we understand that the legislature tasked CARB with meeting SB 253 and SB 261, it remains unclear how or whether data collection under these laws will actually benefit or supplement the state beyond the extensive data it already collects for GHG inventory purposes. Thus, if CARB proceeds with enforcing these requirements, we ask that CARB accept existing reports from other jurisdictions for consistency and to reduce the burden associated with any potential state-specific requirements.

Mercedes-Benz is guided by our "Ambition 2039", which includes goals for net carbon neutrality¹ by 2039 and offers a complete set of desirable electrified product offerings to meet our customers' needs. Mercedes-Benz continues its push to increase sales of electric vehicles in the U.S. with a portfolio that spans key market segments. Additionally, the Mercedes-Benz High-Power Charging network supports Mercedes-Benz's electric vehicles through the development of a public charging network powered by 100% clean energy that is open to all vehicle brands.

In the following comments, Mercedes-Benz offers our general perspective on several topics included in CARB's December 16, 2024, Information Solicitation. Overall, we ask that CARB reflect on the value of detailed data, being mindful of the burden that will result from requiring entities to collect and report on data that far exceeds what is already available through other reports. To date, existing reporting and data collection occur in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (GHG Protocol) which is audited by an accredited firm.

¹ Net carbon-neutral means that carbon emissions that are not avoided or reduced at Mercedes-Benz are compensated for by certified offsetting projects.

Applicability

The Mercedes-Benz Group² publishes a sustainability statement annually according to the legislative requirements of the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS). This report covers all consolidated entities of Mercedes-Benz Group, including U.S. entities. We use the term “group level” therefore to refer to the consolidated entities, as opposed to “entity level” that would apply to the various business units on an individual basis.

Similarly, California SB 253 specifies that “Climate-related financial risk reports may be consolidated at the parent company level” and that “the subsidiary is not required to prepare a separate climate-related risk report”. Mercedes-Benz supports an approach that allows for a consolidated, or group level, approach and believes this should apply to the reporting obligations under both SB 253 and SB 261. We strongly recommend that CARB refrain from entity-level disclosure requirements because consolidated disclosures that fulfill the same requirements already exist. Any additional requirement beyond that used in the consolidated report would result in a disproportionate increase in employee staffing as well as in additional costs for data collection. That would lead to a need to reverify the data, adding to both the expense and time to complete our submission.

Covered Emissions

Mercedes-Benz requests that CARB be pragmatic regarding what it requires to be submitted, and to take into consideration the cost/benefit ratio when deciding to what level entities must report. Mercedes-Benz Group has been reporting scope 1 & 2 emissions for 30 years and has a methodology for reporting these emissions at the group level. For EU reporting requirements, we recently began reporting 12 out of 15 categories of scope 3 emissions. We will begin to report all scope 3 emissions within the next few years. Therefore, all the information required by SB 253 and SB 261 is included in our existing reports according to ESRS requirements. As mentioned above, the report does not only include European entities, but the worldwide Mercedes-Benz consolidated scope, including US entities. Additionally, the Mercedes-Benz Group includes a sustainability statement as part of the annual report³, and this sustainability statement is reviewed through an external audit.

For the 2024 financial year, our sustainability reporting is fully integrated into the annual report for the first time. To this end, the Group carried out a methodologically redesigned materiality assessment in accordance with the requirements of the CSRD (Corporate Sustainability Reporting Directive) and ESRS (European Sustainability Reporting Standards). In so doing, Mercedes-Benz determined the material impacts of its business activities on the environment

² The Mercedes-Benz Group is made up of all subsidiary companies over which the Mercedes-Benz Group AG can exert a direct or indirect controlling influence. It decides on the Group’s strategy, manages the Group and, as the Group’s parent company, ensures legal, regulatory and compliance functions throughout the Group.

³ For example, see Mercedes-Benz Group Annual Report 2024 with integrated Sustainability Report, p. 112-114. <https://group.mercedes-benz.com/documents/investors/reports/annual-report/mercedes-benz/mercedes-benz-annual-report-2024-incl-combined-management-report-mbg-ag.pdf#page=112>.

and society along the entire value chain, as well as material sustainability-related risks and opportunities for the Mercedes-Benz Group, which form the basis of the reporting. The Annual Report will continue to include the sustainability statement going forward. We ask for the ability to submit the Mercedes-Benz Group Annual Report to meet the requirements of SB 261 and SB 253. CARB could request certification to the requirements in (c)(1)(B)-(F) of SB 253 along with submission of these reports to ensure that these reports meet the intent of the law.

We urge CARB to utilize the existing standards which are used internationally for GHG and corporate sustainability reporting. The GHG Protocol is the international standard that is used and required in regulations around the world. The two standards referenced in SB 253 (determination of scope 2 via the Protocol Corporate Accounting and Reporting Standard and the determination of scope 3 via the Corporate Value Chain (Scope 3) Accounting and Reporting Standards) are incorporated into the GHG Protocol. Given that the GHG Protocol is revised to include updates or changes to these standards, Mercedes-Benz is also updating our reporting requirements based on changes to the GHG Protocol. We believe an approach that aligns with the GHG Protocol is needed for consistency, efficiency, and for ensuring high quality data. Mercedes-Benz Group's annual reports and ESRS/CSRD reports satisfy the GHG Protocol requirements and should be accepted as meeting CARB's requirements. Additionally, our annual report complies with ESRS as a means of complying with the CSRD.

Financial Risk Determinations

The core part of assessing financial risk in the ESRS is the double materiality analysis. This analysis is only done at the group level, by applying business models and assumptions for the entire group of companies, rather than taking a bottom-up approach. Therefore, it is not possible to assess the risk of specific entities within the group with this existing methodology, and any requirement to go beyond the current practice would be incredibly time-consuming and costly. Once again, we ask that risk be defined at the group level.

Assurance Providers

SB 253 requires that reporting entities obtain assurance providers. Mercedes-Benz is supportive of provisions related to assurance providers, and we recommend that CARB align with existing assurance provider requirements currently used in Europe. For instance, the CSRD currently requires "limited assurance". In addition, auditor rotation is mandatory every 10 years in Europe. For consistency purposes, we highly recommend that CARB align to have the same audit assurance level and rotation requirements as in Europe.

Reporting

Reporting requirements should be aligned with international standards, and the reporting requirements should also allow for additional time for quality assurance and alignment of all financial documents after the initial reporting timeline. Mercedes-Benz recommends that CARB allow at least four months after the reporting date, consistent with what is done in other countries such as Germany. During this time, a reporting entity would be able to provide updates or clarifications that enhance the quality of the collected data.

Conclusion

If CARB develops rules implementing SB 253 and SB 261, Mercedes-Benz urges CARB to focus on the use of existing reports and to allow reporting at the group level. This approach will result in efficient collection of all the information required by the laws.