

Mercedes-Benz Group

Background

Auto industry associations such as the European Automobile Manufacturers' Association (ACEA) or the German Association of the Automotive Industry (VDA) have significant influence over European policy and regulation. For the auto industry to achieve its stated net-zero ambitions in line with a 1.5°C pathway, it is important that all lobbying efforts including those of trade associations, are aligned to this ambition.

Mercedes-Benz Group AG is an automotive company based in Stuttgart, Germany. Formerly Daimler AG, the company changed its name in 2021 after spinning off its trucks business. We have engaged with the company since 2007 and are also its Climate Action 100+ engagement lead.

In 2019, we welcomed the company's ambitious business strategy 'Ambition2039' that supports its transition to the low-carbon economy, as well as setting targets verified by the Science Based Targets initiative.

We also had a call asking the company to publicly communicate its intention to review its climate lobbying positions.

Our engagement

Since autumn 2018, we have engaged with the company on public policy advocacy with respect to climate legislation. Our engagement began by asking the company to explain the alignment of its public policy positions on climate change with that of the lobbying carried out either directly by the company or indirectly, including by industry third parties.

To help guide the company's position, the following year, we shared a corporate climate policy engagement disclosure template for the automotive sector. We also had a call asking the company to publicly communicate its intention to review its climate lobbying positions. We arranged to send the company the draft shareholder resolution calling for such a review, as well IIGCC investor expectations on climate lobbying (2018)¹ and best practice examples. We maintained

Engagement objectives:



Environmental:

Alignment of lobbying to corporate position on climate change

Sustainable Development Goals:



engagement momentum by travelling to Ottobrunn, Germany, to meet the chair where we discussed the challenges faced in setting sustainability targets in the supply chain, the company's support for the Paris Agreement and emissions reduction targets.

We also raised questions, including on lobbying, at the company's virtual AGM.

We continued to reiterate our concerns in multiple meetings in 2020, including with the sustainability team, investor relations and the supervisory board chair. In 2021, we continued the discussion in meetings with the head of product and portfolio strategy and external affairs, head of investor relations and the chair. We also raised questions, including on lobbying, at the company's virtual AGM.

We maintained engagement momentum by travelling to Ottobrunn, Germany, to meet the chair where we discussed the challenges faced in setting sustainability targets in the supply chain

¹ <https://www.iigcc.org/resource/investor-expectations-on-corporate-lobbying/>

In 2022, we intensified our engagement on lobbying by facilitating discussions between the company and a group of investors planning to file a shareholder resolution.

In 2022, we intensified our engagement on lobbying by facilitating discussions between the company and a group of investors planning to file a shareholder resolution. We agreed to be copied into a letter sent by two institutional investors to the chair and CEO, reiterating our expectations on lobbying and informing the company of the intention to file a shareholder resolution requesting improvements.

In a subsequent call with other investors, we encouraged the company to make a shareholder resolution unnecessary by publicly committing to carrying out a lobbying review ahead of the AGM filing deadline.

Changes at the company

Following the engagements and the possible shareholder resolution, we received written assurance from the company in February 2022 that it would carry out a review of its associations' lobbying activities and publish this as "Mercedes-Benz Group Climate Policy Report" with its sustainability report annually from 2023.

Ahead of the 2022 AGM, the company also committed to providing assurances to investors, including that a declaration of intent would be included in the CEO's speech and the supervisory chair's letter and corporate governance roadshow materials. This made the filing of a shareholder resolution unnecessary. The company published its first Mercedes Benz Group Climate Policy Report, making a key step towards improved lobbying disclosure.

The company published its first Mercedes Benz Group Climate Policy Report, making a key step towards improved lobbying disclosure.

² [Influence Map | Lobbying Disclosures](#)

³ [Global Standard on Corporate Climate Lobbying](#)

⁴ [Mercedes-Benz Group | Climate Policy Report](#)



Next steps

We will continue to engage with the company on the quality of its disclosures. Investors launched the Global Standard on Corporate Climate Lobbying to better articulate best practice in companies ensuring that their direct and indirect lobbying practices are aligned with the Paris Agreement. This consist of 14 indicators in areas of policy and commitment, governance, actions and specific disclosures that provide companies with clear guidance on what investors are expecting from them.

Mercedes Benz' lobbying report only scores 29/100 points, thus we are continuing engagement with the company for further improvements.

The NGO InfluenceMap assesses existing lobbying reports against these global standard to assess how well these are aligned with investor expectations. Mercedes Benz' lobbying report only scores 29/100 points, thus we are continuing engagement with the company for further improvements.

✓ This case study has been fact-checked by Mercedes Benz Group AG to ensure a fair representation of EOS work carried out and changes made at the company.



Lisa Lange
Engagement
EOS



Case studies are shown to demonstrate engagement, EOS does not make any investment recommendations and the information is not an offer to buy or sell securities.

Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns and, where possible, to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes Investment Management are now undertaken by Federated Hermes Limited (or one of its subsidiaries). We still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important strategies from the entire group.

Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

For more information, visit www.hermes-investment.com or connect with us on social media:



For professional investors only. This is a marketing communication. Hermes Equity Ownership Services ("EOS") does not carry out any regulated activities. This document is for information purposes only. It pays no regard to any specific investment objectives, financial situation or particular needs of any specific recipient. EOS and Hermes Stewardship North America Inc. ("HSNA") do not provide investment advice and no action should be taken or omitted to be taken in reliance upon information in this document. Any opinions expressed may change. This document may include a list of clients. Please note that inclusion on this list should not be construed as an endorsement of EOS' or HSNA's services. EOS has its registered office at Sixth Floor, 150 Cheapside, London EC2V 6ET. HSNA's principal office is at 1001 Liberty Avenue, Pittsburgh, PA 15222-3779. Telephone calls may be recorded for training and monitoring purposes. EOS001135. 0014667 03/23.