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## Green Finance: Mercedes-Benz 11 Billion Euro Sustainability-Linked Loan

October 18, 2022

Green Finance



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Mercedes-Benz announced last week that it has converted an €11 billion revolving credit facility into a sustainability-linked loan (SLL), with its commitment fee tied to certain KPIs aligned with the company's sustainability strategy. The Revolving Credit Facility was arranged for risk-management purposes to provide additional liquidity.

Sustainability-linked debt is a rapidly developing area of the sustainable finance market and can offer increased flexibility to use proceeds for general corporate purposes when compared to other financial products such as certain green bonds that require funds to be allocated to specific green projects and which is something smaller issuers in particular find difficult.

Steffen Hoffmann, Head of Treasury and Investor Relations of Mercedes-Benz Group AG, stated that: "Our path towards a CO2 neutral future has been set out clearly with our Ambition 2039. We will therefore align our sustainable business strategy with our financing instruments and transform our existing Revolving Credit Facility into a Sustainability-Linked Loan. This follows on from our previous two green bond issues in 2020 and 2021 and paves the way for Mercedes-Benz to play a leading role in the area of sustainable finance."

**Taking the Temperature: The sustainable finance markets are rapidly developing and it is likely that companies will utilize different products in order to meet both their ongoing liquidity requirements and large expenditures to reduce their climate impact. The SSL market has grown across all sectors in recent times and, as demonstrated by Mercedes-Benz, companies in the automotive sector are particularly strongly motivated to promote their green credentials and commitment to carbon neutrality. As with any climate-related disclosure or initiative, however, companies need to be careful not to over-promise and under-deliver, or risk challenges from regulators or investors based on claims of greenwashing. This is relevant to SSLs in particular in terms of the specific KPIs any**

**SSL is tied to and the potential pricing impact depending on the KPIs achieved, each of which often vary on a deal by deal basis.**