

Chairman's Letter

Dear Shareholders,

The situation in Ukraine is of grave concern for all of us. First and foremost, our thoughts are on the humanitarian side of this conflict. However, our company and business are also affected. Mercedes-Benz has suspended the export of cars and vans to Russia as well as its local manufacturing in Russia until further notice. We are monitoring the situation closely and reassessing it continuously to mitigate risks and to develop solutions for safeguarding our supply chain.

2021 was a year full of challenges, renewal, acceleration and historic realignment for our company. We had to manage the ongoing pandemic and supply issues for semiconductors. We set the course to be ready to go all-electric by the end of the decade, where market conditions allow. You, our shareholders, voted overwhelmingly in favour of the spin-off of the truck and bus business at our Extraordinary General Meeting on 1 October 2021. The new company Daimler Truck Holding AG was successfully listed on the stock market in December 2021. Finally, we underlined our focus on the automotive business by renaming our company as Mercedes-Benz Group AG. It has been an honor to start together with you this journey into a new era and I look forward to taking the next steps with you on this transformation path.

Mercedes-Benz Group – a pure-play company

With our renaming as Mercedes-Benz Group AG, we want to make clear how we see the core of our company, which is all about building the world's most desirable cars. The Mercedes star has always represented a promise for the future. We continue this legacy by shifting from electric-first to electric-only and accelerating toward an emissions-free and software-driven future.

As the world's most valuable automotive luxury brand, we will unleash our future economic potential to further foster our competitive strengths and create lasting value for all of our stakeholders in an economically, environmentally and socially sustainable way. To do so, we have formulated our "Ambition 2039" initiative to achieve CO₂ neutrality for our new car and van fleet along the value chain by 2039.

Our 2021 results and dividend proposal

Our first annual results conference with Mercedes-Benz Group as a pure-play company showed that we increased our financial robustness and delivered strong financial results. We sold more top-end vehicles and electric cars, both core elements of our strategy. These results will be reflected in our proposal to the Annual General Meeting to pay a dividend of €5.00 per share. Approximately €0.70 of the dividend is attributable to Daimler Trucks & Buses, as Daimler Truck Holding AG will not pay out a separate dividend to its shareholders for 2021. Therefore, a dividend of €4.30 is the reference point going forward for Mercedes-Benz Group AG.

New Supervisory Board candidates

In 2021, we proposed five new members to the Supervisory Board on the shareholder side and received strong approval for all of them at the General Meetings. We were able to attract outstanding personalities who meet our requirements profile with the competencies needed for the future of our company. Beyond outstanding qualifications, the Supervisory Board considers independence, diversity and sufficient capacity to contribute to be crucial criteria for a successful succession planning. At the same time, we have shortened the terms of office from five to four years.

At the Annual General Meeting, we will propose two new candidates for the shareholder side, who will succeed Prof. Dr. Clemens Börsig and Mr. Bader M. Al Saad. Both candidates will enrich the Supervisory Board with their experience and perspective in the fields of ESG and the luxury business. Dame Polly Courtice, Former Director of the University of Cambridge Institute for Sustainability Leadership, is one of the most renowned ESG experts worldwide. Marco Gobetti has unrivalled entrepreneurial experience in the luxury-goods industry, including previous CEO roles at luxury brands such as Givenchy and Burberry, as well as his current position as CEO of Salvatore Ferragamo S.p.A.

ESG Board oversight

Sustainability and, in particular, environmental and climate protection are among the most urgent issues of our time. To that end, ESG oversight is a focus of the Supervisory Board. We therefore strongly support the strategic course for an all-electric future by the end of the decade, as set by the Board of Management in 2021.

Our commitment to the Paris Climate Agreement requires advocacies and partnerships that support this conviction as well as the requisite climate protection targets. In agreement with the Board of Management, we have therefore decided to provide our stakeholders with more transparency on how our positions as a company on climate protection align with those of the industry associations in which we are active. We will conduct and publish this review starting this year ahead of our Annual General Meeting and will continue doing so in the years to come in alignment with our annual sustainability reporting.

At the same time, in the context of our sustainable business strategy, we are also addressing the social impacts of our transformation, whereby the protection of human rights is one of our focus topics. The Supervisory Board therefore also addressed this matter in detail at one of its meetings in 2021. For our new members, we also ensure as part of our onboarding program that there is an exchange of ideas and opinions on ESG issues with the Board of Management.

Remuneration

This year, for the first time, we have published our remuneration report separately from the annual report. The remuneration report does not only comply with the new statutory requirements but even exceeds them and provides our shareholders with further transparency on the remuneration of the members of the Board of Management and Supervisory Board. In addition, last year we addressed the possibilities of taking greater account of sustainability criteria within in the remuneration system for the Board of Management as approved by the Annual General Meeting in 2020. Looking ahead to 2022, we enhanced the transformation components of the annual bonus to more firmly reflect modern ESG governance requirements and our strategic goals. We outlined specific Environment, Social, Governance and Digitalization criteria and took account of, among other things, the decarbonisation targets as part of our “Ambition 2039” to become CO₂ neutral along the entire value chain.

Interaction with shareholders under COVID-19 circumstances

In view of the volatile environment and the still worrying COVID-19 situation, the Supervisory Board intensively discussed and approved the decision of the Board of Management to hold the 2022 Annual General Meeting virtually. I know this may not be the preferred form of interaction and that many of you, like me, value face-to-face interaction. However, we will maintain last year’s practice to make the key messages of the speeches by the Chairman of the Board of Management and the Chairman of the Supervisory Board publicly available to you before the deadline for submitting questions. We will also continue to publish duly submitted video messages from shareholders in the e-Service for shareholders. In doing so, we have made every effort to adhere to health and safety requirements while at the same time safeguarding the essential interests and rights of our shareholders.

Diesel emissions issue

In 2021, the diesel emissions issue continued to be a regular item on the agenda of Supervisory Board meetings.

Related proceedings were settled in recent years, including court and regulatory proceedings in the United States in 2020. The US authorities did not impose an external monitor as part of the settlement. Instead, ensuring compliance with the settlement's provisions lies within the company's own responsibility and is monitored by the Supervisory Board and its Committee for Legal Affairs.

In line with its internal policies as well as the settlement with US authorities in 2020, the company is continuously advancing its state-of-the-art technical compliance management system within a regulatory environment subject to constant change. The company has developed this system with considerable resources. An independent auditing firm has certified its appropriateness, implementation and effectiveness. The system meets the highest standards.

Last year, the company resolved the Canada consumer class action with the approval of the Supervisory Board. Other civil and administrative proceedings in Germany and other countries are ongoing. Pursuing these proceedings is in the best interests of the company and is consistent with the strategy approved by the Supervisory Board.

The Supervisory Board is examining a potential Management Board liability. It is analysing what led to the diesel emissions issue and whether appropriate measures were omitted at Management Board level. The Supervisory Board's external legal counsel regularly reports on the progress of the assessment. The Supervisory Board has determined that potential claims will not be subject to the statute of limitations in the near future.

For details, please refer to the attached statement of the Supervisory Board's external legal counsel summarizing the measures taken by the Supervisory Board.

Antitrust matters

Furthermore, antitrust matters continue to be an important issue for the Supervisory Board. On 8 July 2021, the European Commission closed the proceedings relating to anticompetitive conduct with regard to exhaust after-treatment systems for cars with diesel engines (SCR¹) by way of a settlement with the relevant automotive manufacturers and issued fines of €875 million. The company has been cooperating closely and trustfully with the European Commission and has been granted complete immunity from fines.

With regard to these proceedings, the Supervisory Board is still reviewing potential compensation claims against current or former members of the Board of Management. The same holds true for potential claims with regard to the trucks proceedings already concluded by the European Commission; those potential claims have remained with the company irrespective of the spin-off of the truck and bus business. The Supervisory Board is thereby fully performing its supervision tasks under stock corporation law. This was confirmed again in March 2022 in an amended expert opinion by Prof. Dr. Mathias Habersack; an updated statement is attached to this letter.

Times remain challenging and volatile. But we are very well positioned for this future with a clear strategy, good corporate governance and, above all, with extremely desirable products. I very much look forward to welcoming you to this year's virtual Annual General Meeting on 29 April 2022.

Sincerely yours,



Dr. Bernd Pischetsrieder