

# Chairman's Letter

Dear Shareholders,

The year 2022 is a case in point that we are moving in the right direction despite the fact that we cannot control or predict macroeconomic and geopolitical events. In particular, the war in Ukraine has brought unimaginable suffering for its people and has had a massive impact on politics and the economy. At the same time, the pace of change in the world remains dynamic. Environmental and climate protection, respect for human rights, as well as a just transition are among the most pressing issues of our time. We at the Mercedes-Benz Group are facing up to these challenges.

## **Current geopolitical situation**

In response to Russia's war against Ukraine, we decided as early as March 2022 to stop exporting cars and vans to Russia and to cease local production there. In October 2022, the Supervisory Board approved the Board of Management's decision to sell the company's business activities in Russia. The completion of the transaction is subject to the authorities' approval and the implementation of the contractually agreed conditions. To date, not all State authorities' approvals have been granted.

As a globally operating company, we are committed to free, fair and rules-based trade. China in particular is one of the most important markets for many companies, including Mercedes-Benz. China has a large share of the global luxury market and this share will continue to grow in the future. Against the background of globalization and the economic interdependencies of our time, the key to securing prosperity and peace is constructive cooperation.

## **Our strategy**

In 2022, we decided that we will sharpen our focus on luxury, elevate our product portfolio, accelerate the path to an all-electric future, and target structurally higher profitability. In this context, the combination of luxury and sustainability is underlined by our strategic decision to become all-electric by 2030, where market conditions allow.

We aim to make this transformation of our more than 135-year-old company socially acceptable and just, for our employees, our sites and along all stages of the value chain. We are a brand with high appeal. In the growing competition for highly qualified professionals, we offer a modern, flexible and appreciative working environment and very good development opportunities. Through our investments in the qualification of our employees, we ensure the successful implementation of our sustainable business strategy and the digitisation of our company.

### **Our 2022 results and dividend proposal**

In 2022, our first year as Mercedes-Benz Group, we continued the transformation and secured our position as a technology leader in electric and automated driving. Strong financial results underline the improved profitability, even as the COVID-19 pandemic and semiconductor supply-chain bottlenecks and the fallout from Russia's war against Ukraine continued to affect the business.

We want our shareholders to participate in this success and will propose to the Annual General Meeting an increased dividend of €5.20 per share compared to the previous year (2021: €5.00). In addition, we have announced a share buyback to repurchase own shares worth up to € 4 billion on the stock exchange over a period of up to two years. The aim is to optimise the capital structure and generate value for our shareholders.

### **Virtual General Meeting & shareholder rights**

Following the expiry of the emergency regulations in the wake of the COVID-19 pandemic, new German legislation has transferred the shareholder rights granted in the physical format to the virtual format without restriction, projecting the physical general meeting into the virtual space. Shareholders have the right to speak live via video communication, ask live questions and to submit motions. Their right to information corresponds to that at the physical general meeting. Unlike in the physical general meeting, shareholders are additionally entitled to submit comments in advance of the virtual general meeting, and these must be made accessible by the Company if the legal requirements are met. In addition, counter-motions and election proposals of shareholders that have been made available in advance of the virtual general meeting are deemed to have been submitted. In other respects, the virtual format facilitates active participation, is significantly more sustainable and involves lower costs. On this basis, the Supervisory Board approved the Board of Management's decision to hold the 2023 Annual General Meeting virtually without a physical presence of shareholders or their proxies.

### **New Supervisory Board candidates**

We have updated and refined our overall requirements profile for the Supervisory Board and sharpened it with regard to the competencies and experience required for the entire board. The Supervisory Board's competencies and experience reflect the areas relevant to our company, such as finance, digitalisation/IT, sales/brand, sustainability/ESG<sup>1</sup> and industry.

At the end of the 2023 Annual General Meeting, our extremely valued colleague Sari Baldauf will leave the Supervisory Board after 15 years. We will propose Stefan Pierer (66) as her successor to the Annual General Meeting.

Stefan Pierer's in-depth industry know-how and his expertise in product and brand development make him a strong addition to the Supervisory Board. He is also a forward-thinking founder and entrepreneur who brings a deep understanding of how to transform companies successfully.

### **Remuneration**

The previous system for the remuneration of the Board of Management of Mercedes-Benz Group AG was presented to the Annual General Meeting in 2020 and approved by it with an approval rate of 95.33%. We reviewed this remuneration system on the occasion of the spin-off of the Commercial Vehicles business, taking into account market practice and investor expectations, and in doing so placed a stronger focus on transformation and sustainability goals in addition to the strategic realignment of the Mercedes-Benz Group.

Against this background, the Supervisory Board has implemented ESG targets as performance criteria in the long-term variable compensation in addition to the non-financial targets already anchored in the annual bonus. This is intended to provide even stronger incentives for sustainable management and to make the mobility of tomorrow more sustainable.

## **Diesel emissions issue**

During the last business year, as in previous years, the Supervisory Board paid close attention to the diesel emissions issue.

Ensuring compliance with the provisions of the settlement agreed upon with U.S. authorities in the year 2020 lies within the company's own responsibility and in lieu of an external monitor, it is monitored by the Supervisory Board and its Committee for Legal Affairs on an ongoing basis. In a regulatory environment subject to constant change, the company is continuously advancing its state-of-the-art technical compliance management system in line with internal policies and the settlement with U.S. authorities, taking new technologies into consideration as well as reviewing the system's efficacy on an annual basis.

Monitored by the Supervisory Board and consistent with the strategy jointly approved, the company pursues civil and administrative proceedings still ongoing in Germany and other countries.

The Supervisory Board is examining a potential liability of current and former Members of the Board of Management. 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 facts of the issue continue to be analysed in detail. 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 Professor Dr Roland Steinmeyer.

## **Antitrust matters**

Furthermore, antitrust matters continue to be an important issue for the Supervisory Board. Following the conclusion of the European Commission's proceeding relating to anticompetitive conduct with regard to exhaust aftertreatment systems for cars with diesel engines (SCR<sup>1</sup>) in July 2021, recently the South Korean antitrust authority made a decision on this topic. Due to the cooperation with the respective authorities, the company does not have to pay a fine in any of those proceedings.

Also in the frame of further antitrust authority investigations regarding the disposal of end-of-life vehicles, the company has been cooperating extensively with the European Commission and the British antitrust authority CMA (Competition and Markets Authority) as leniency applicant from an early stage and does not expect to receive a fine in this matter.

With regard to all mentioned 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 2023 in an amended expert opinion by Professor Dr Mathias Habersack; an updated statement is attached to this letter.

Despite the ongoing uncertainties for the global economy, we look to the future with confidence thanks to our desirable products, continuous innovative strength and the outstanding commitment of our employees.

I very much look forward to welcoming you to this year's virtual Annual General Meeting on May 3, 2023.

Sincerely Yours



Dr Bernd Pischetsrieder