

Remuneration system

Mercedes-Benz Group AG



Mercedes-Benz Group AG – Remuneration system for members of the Board of Management as of 2023

I. Enhancement of the remuneration system

The current remuneration system of the Board of Management of the Mercedes-Benz Group AG was presented to the Annual General Meeting in 2020 and approved with an approval rate of 95.33%. Prompted by the demerger and spin-off of the commercial vehicle sector, the Supervisory Board initiated a review of this remuneration system, taking market practice and investor expectations into consideration, while putting a stronger

emphasis on the strategic realignment of the Mercedes-Benz Group, as well as the transformation and sustainability targets. Based on the analysis, the Supervisory Board resolved to make adjustments to the remuneration system.

Subject to approval by the Annual General Meeting 2023, the enhanced remuneration system will apply for all incumbent Board of Management members, as well as all new appointments and reappointments, as of 1 January 2023.

The following section provides an overview of the main changes and their background:

| Previous design | Adjustment and background |
|---|---|
| <p>Annual bonus: Transformation targets</p> <p>The transformation targets may impact the annual bonus target achievement with an addition of up to 25 percentage points.</p> | <p>Adjustment: In the enhanced remuneration system, the transformation targets may impact the annual bonus target achievement not only with an addition of up to 25 percentage points, but also with a deduction of up to 25 percentage points.</p> <p>Background: With the new range of -25 percentage points to +25 percentage points, the transformation targets are also equipped with a malus function, which was previously only reserved for the non-financial performance criteria of the annual bonus.</p> |
| <p>Annual bonus: Deferral</p> <p>50% of the annual bonus payout amount will be paid out at the beginning of the following financial year; the second 50% will be paid out one year later depending on the Mercedes-Benz Group share performance compared to an automotive-related index (deferral).</p> | <p>Adjustment: In the future, the payout amount from the annual bonus will be paid out in total after the financial year has ended and hence will no longer be dependent on the Mercedes-Benz Group share performance.</p> <p>Background: The basis for a broad acceptance of the Board of Management remuneration is that it is comprehensible in addition to being highly transparent. In view of this, the Supervisory Board has reduced the complexity of the remuneration system by removing the deferral. Regardless of this change, the long-term variable remuneration (PPSP) will still be based on the company performance compared to competitors and the Mercedes-Benz Group share performance. This way, an incentive to achieve long-term outperformance of relevant competitors continues to be set for the majority portion of the variable remuneration.</p> |
| <p>Performance Phantom Share Plan (PPSP): ESG targets</p> <p>The performance criteria of the PPSP comprise the relative return on sales and relative share performance.</p> | <p>Adjustment: In addition to the relative return on sales and relative share performance, which continue to form the focus of the performance criteria with a weighting of 80%, ESG (environmental/social/governance) targets are integrated in the PPSP as performance criteria with a weighting of 20%.</p> <p>Background: Sustainability is firmly anchored in the corporate strategy of the Mercedes-Benz Group. It was therefore decided to apply ESG targets not only in the annual bonus, but also in the PPSP as performance criteria. It is ensured that the ESG targets of the annual bonus and the PPSP complement each other as best as possible so that they are not considered twice. This ensures a comprehensive incentive for sustainable management of Mercedes-Benz Group AG and the Group.</p> |
| <p>Stock Ownership Guidelines (SOG)</p> <p>The Board of Management members are obliged to purchase a significant amount of Mercedes-Benz Group shares over several years and to hold those shares until the termination of the service relationship.</p> | <p>Adjustment: The holding period of the purchased Mercedes-Benz Group shares will be extended. In the future, the Board of Management members must hold the shares not only until the termination of their service contract, but for an additional two years beyond this date.</p> <p>Background: The Stock Ownership Guidelines represent an essential component of the remuneration system in order to establish a strong relation between the share price performance and the Board of Management remuneration and to closely connect the Board of Management interests with those of the shareholders. By extending the holding period, this connection of interests is aligned even more with the long-term success of the Mercedes-Benz Group AG and the Company, and strengthens the commitment of the Board of Management members.</p> |

II. Guiding principles of the remuneration system

The automotive industry is in the midst of the largest transformation in its history. Sustainability and particularly environmental and climate protection are among the most pressing issues of our time. As the inventor of the car, the Mercedes-Benz Group AG also strives to set standards for sustainable mobility. Its objective is to shape the accelerated transformation to a fully electric and software-driven future profitably and has therefore placed particular emphasis on profitable growth with its corporate strategy geared towards sustainability and luxury.

The Board of Management remuneration system contributes significantly to the promotion of our business strategy as well as to the long-term and sustainable development of the Company. It creates incentives for the achievement of our strategic goals and provides effective motivation for long-term value-creating development of the Company in the interest of all stakeholders: customers, investors, employees, business partners, and the company as a whole. In view of the central importance of the topics of sustainability, integrity and diversity that form the foundation of all Mercedes-Benz Group activities, ESG targets are taken into account to a significant extent as part of the variable remuneration in addition to financial performance criteria.

The appropriateness of remuneration in view of the Board of Management members' performance is on the one hand ensured through a large proportion of variable remuneration components and on the other hand through ambitiously set targets in the performance criteria of the variable remuneration components. In addition, the current market practice standards are applied taking the size, complexity and economic situation of the Company into account.

Generally, the Supervisory Board is guided by the following principles when setting the Board of Management remuneration system:

Principles of the remuneration system

Promotion of the business strategy

-The remuneration system in its entirety contributes significantly to promoting the business strategy.

Long-term and sustainable development of the company

-The remuneration system and the performance criteria for its variable components provide incentives for the long-term and sustainable growth of the Group.
-ESG targets are taken into account both in the short-term and long-term variable remuneration to strengthen the sustainable development of the Group.

Alignment of interests

-The remuneration system makes a significant contribution to linking the interests of shareholders, customers and other stakeholders.

Pay for performance

-The performance of Board of Management members is appropriately taken into account through adequate and ambitiously set performance targets within the variable remuneration components.
-A large part of the remuneration is made up of variable components.

Verifiability and transparency

-The remuneration system is set up to be verifiable and transparent for all stakeholders.

Consistency of the remuneration

-The Supervisory Board ensures that the remuneration systems of the Board of Management and executives set aligned incentives.

Consideration of market practice

-The remuneration system is designed on the basis of current market practice.

III. Overview of the remuneration system

1. Remuneration system components

The Board of Management remuneration system comprises fixed and variable components.

The fixed remuneration components consist of a base salary, fringe benefits and a pension compensation or alternatively a pension compensation.

The variable remuneration is divided into short-term variable remuneration (annual bonus) and long-term variable remuneration (Performance Phantom Share Plan, PPSP).

Additional central components of the Board of Management remuneration system are the malus and clawback provisions, and the Stock Ownership Guidelines (SOG).

| | | | |
|---|--|---|--|
| Fixed remuneration | Base salary | - A fixed contractually agreed remuneration that is paid in twelve monthly instalments | |
| | Fringe benefits | - Mainly expenses for security precautions and the provision of company cars | |
| | Pension commitment/ pension compensation | - An annual contribution in the amount of 15% of the sum of the base salary and the total annual bonus as determined at the end of the reporting period - Option to grant a pension compensation instead of a pension commitment | |
| Variable remuneration | Short-term variable remuneration (annual bonus) | Type | - Annual bonus |
| | | Performance criteria | - Financial performance criteria - 50% EBIT - 50% free cash flow (FCF) of the industrial business - Range of possible target achievement: 0% - 200% - Non-financial performance criteria - An addition to/deduction from the degree of target achievement of up to a total of 10 percentage points - Transformation targets - An addition to/deduction from the degree of target achievement of up to a total of 25 percentage points |
| | | Cap | - 200% of the target amount |
| | | Payout | - After the financial year |
| | Long-term variable remuneration | Type | - Virtual performance share plan ("Performance Phantom Share Plan") |
| | | Term | - Four years (three-year performance period and one-year holding period) |
| | | Performance criteria | - 80% relative return on sales and relative share performance - 20% ESG targets |
| | | Cap | - 250% of the grant value |
| | | Payout | - After the four-year term |
| | Malus/clawback | - Reduction or complete abolishment/reclaim of the variable remuneration is possible | |
| Stock Ownership Guidelines (SOG) | - The number of the shares to be held up to two years after the end of service relationship is set between 20,000 and 75,000 shares - Up to 25% of the gross remuneration out of each PPSP is generally to be used to acquire ordinary shares | | |

2. Remuneration structure

The total target remuneration consists of a target direct remuneration, fringe benefits and a pension commitment or a pension compensation.

To ensure that the performance orientation and, as a result, the pay-for-performance concept is fully taken into account in the Board of Management remuneration, the target direct remuneration in its majority comprises variable remuneration components. The target direct remuneration is the sum of base salary, target amount of the annual bonus and grant value of the PPSP. Base salary and annual bonus contribute around 25% to 35% to the target direct remuneration, respectively, while the PPSP share is about 35% to 50% of the target direct remuneration.

The stronger weighting of the long-term variable remuneration compared to the short-term variable remuneration ensures that the remuneration structure is oriented towards the sustainable and long-term development of the Mercedes-Benz Group in accordance with the

provisions of the German Stock Corporation Act. In addition, the aim is to ensure that in accordance with the recommendations of the German Corporate Governance Code (DCGK), the variable remuneration that results from the achievement of long-term targets exceeds that from short-term targets. At the same time, important annual operative targets are not neglected by putting significant weight on the annual bonus.

As an additional component of the total target remuneration, Board of Management members receive fringe benefits (non-cash benefits, mainly expenses assumed by the Company for security precautions and the provision of company cars, without any compensation payments in the event of new appointments to the Board of Management) which regularly amount to an average of around 8% of the respective base salary. In the event of working abroad, the fringe benefits may exceed this relative share due to special location-based benefits. The pension commitment or pension compensation is currently 15% of the sum of the respective base salary and the annual bonus for the respective financial year calculated at the end of

the reporting period. The presented relative shares may deviate somewhat, for example, due to cost developments of the contractually agreed fringe benefits.

IV. Remuneration system components in detail

1. Fixed remuneration components

1.1. Base salary

The base salary is a fixed remuneration relating to the entire year, oriented towards the area of responsibility and experience of each Board of Management member and paid out in twelve monthly instalments. It is determined for every financial year by the Supervisory Board as part of the provision of the individual total target remuneration.

1.2. Fringe benefits

Fringe benefits mainly comprise expenses for security precautions and the provision of company cars. In addition, special location-based services can be provided for Board of Management members who work abroad. In exceptional cases, members who are newly appointed to the Board of Management can receive compensatory payments to reimburse them for the loss of remuneration from their previous employment.

1.3. Pension commitment/pension compensation

Board of Management members can be granted a contribution-based pension compensation; this is based on the Company retirement benefit system, which also applies for the employees in the collective bargaining area and for executives (“Daimler Pensions Plan”). The Daimler Pensions Plan features the payment of annual contributions by the Company and is capital market oriented. The Company only grants a commitment guarantee for the total of paid-in contributions, which are invested in the capital market according to a pension-oriented investment concept.

The amount of the annual contributions for the Board of Management members results from a fixed percentage based on the sum of the base salary and the total annual bonus for the respective financial year calculated as of the end of the reporting period. This percentage is currently 15%. The pension plan contributions are granted until the age of 62. The Daimler Pension Plan is paid out

to living Board of Management members at the earliest at the age of 62, regardless of an earlier termination of the service relationship. If the service relationship ends due to the member being unfit for service, the pension is paid out as a limited capacity benefit up to the age of 62. Payments under the Daimler Pensions Plan can be made in three ways: as a single amount; in twelve annual instalments, whereby interest accrues on each partial amount pursuant to statutory provisions from the time payments commence until the payout is complete; or as a pension with annual increases in accordance with legal regulations.

The service contracts of Board of Management members contain provisions, according to which in the event of the passing of the Board of Management member before retiring for reasons of age, the spouse/registered civil partner or legally dependent children are entitled to receive the credit amount plus an amount until the Board of Management member would have reached 62 years of age. If a Board of Management member passes away after retiring for reasons of age, the heirs are entitled to receive the benefits in the case of the payout option in twelve annual instalments. For the pension payout variant with survivor benefits, the spouse/registered civil partner or dependent children are entitled to receive 60% of the actual pension amount.

The Supervisory Board reserves the right to grant a fixed amount to Board of Management members in the future to guarantee their private provisions (pension compensation) instead of the pension commitment.

2. Variable remuneration components

The variable remuneration components aim to create the right incentives for the Board of Management to act in the interests of the corporate strategy, the customers, shareholders, employees and additional stakeholder groups, and to sustainably pursue and achieve the set long-term targets. In order to ensure that the corporate strategy is implemented in line with the long-term and sustainable development of the Mercedes-Benz Group, the strategic targets are used to derive annual operational targets of a financial and non-financial nature. The annual bonus serves as an incentive for the attainment of these targets. In addition, the PPSP rewards long-term Company success compared to relevant competitors – both with regard to the capital market and regarding profitability. Moreover, through the implementation of ESG targets in the PPSP, company success is considered holistically.

| Performance criteria | Relation to the business strategy/incentive effect | |
|----------------------|--|---|
| Annual bonus | EBIT | <ul style="list-style-type: none"> - Consideration of one of the key performance measures and indicators for the operational financial performance - Incentivising of profitable growth to successfully manage an accelerated transformation into an all-electric future |
| | FCF IB | <ul style="list-style-type: none"> - Alignment to the comprehensive investment needs which arise as part of the Group transformation - Setting of incentives to optimise cash flow management |
| | Non-financial performance criteria | <ul style="list-style-type: none"> - Inclusion of important non-financial targets that are essential for the realisation of the corporate strategy - Focus on targets that are measured annually |
| | Transformation targets | <ul style="list-style-type: none"> - Focus on main future-oriented fields to continue to drive the transformation of the Group |
| PPSP | Relative return on sales | <ul style="list-style-type: none"> - Integration of one of the main internal key performance measures to ensure targeted sustainable and profitable growth - Comparison with relevant competitors and based on this inclusion of a relative performance measurement |
| | Relative share performance | <ul style="list-style-type: none"> - Strengthening the relation to the share price and the linkage of interests of the Board of Management and shareholders - Incentivising of long-term outperformance of relevant competitors at the capital market |
| | ESG targets | <ul style="list-style-type: none"> - Implementation of strategically important long-term ESG targets to emphasise the importance of sustainability for the Mercedes-Benz Group and to consider the company performance across the performance period holistically - Ensuring sustainable development of the Mercedes-Benz Group |

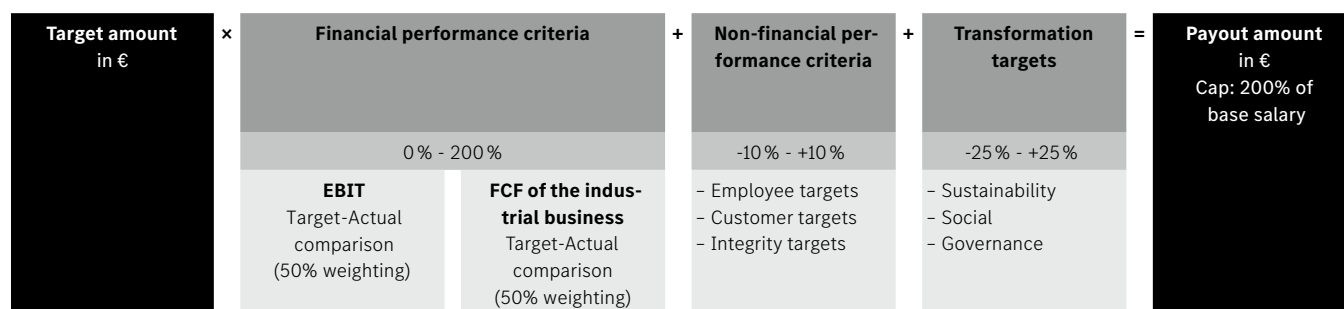
2.1. Annual bonus

especially important to align the incentives in the remuneration system with the necessary investments for the future.

2.1.1. Basic principles of the annual bonus

The annual bonus incentivises the implementation of operational targets whose achievement is of central importance for the long-term development of Mercedes-Benz Group. A particular focus here is on the future-proofing expansion of the business model as a vehicle manufacturer and a provider of mobility services. Against the background of the accelerated transformation to a fully electric and software-driven future, it is

To this end, the Supervisory Board derives challenging and ambitious operational targets for the coming financial year from the Group's strategic goals. The target amount of the annual bonus, which is paid if target achievement is 100%, is currently set at 100% of the base salary. The payout is limited to 200% of the target amount and is calculated as follows:



The respectively determined payout amount of the annual bonus is paid out at the beginning of the following financial year.

2.1.2. Performance criteria for the annual bonus

a. Financial performance criteria

The financial performance criteria of the annual bonus consist of the operating result of the Mercedes-Benz Group (EBIT) and the free cash flow of the industrial business (FCF IB), each weighted at 50%. The EBIT and the FCF IB represent two of the most important financial performance indicators for the operating financial performance of the Mercedes-Benz Group.

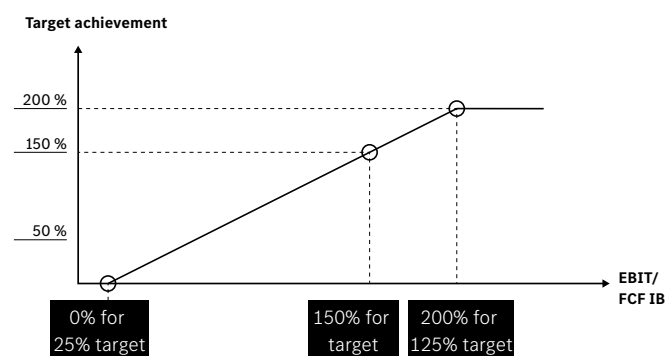
The measure of operating profit is EBIT. As earnings before interest and taxes, EBIT reflects the divisions' responsibility for their earnings. The EBIT target value for each financial year is derived from the ambitious and competitively-oriented medium-term return, which is set by the Supervisory Board, as well as derived from the growth targets. The starting point of the calculation is the revenue of the previous year.

The FCF IB, which comprises the cash flow of the automotive divisions, of interest, taxes, and other reconciliation items that cannot be allocated to the divisions, is of particular importance for the financial strength of the Mercedes-Benz Group. The target value for the FCF IB for the respective financial year is calculated on the defined EBIT target value of the segments of the automobile business (derived from the strategic growth and return on sales targets) as well as on a strategic target for the so-called cash conversion rate. The cash conversion rate is the proportion of the period's result that is scheduled to flow into the Group's liquidity after the payments for the necessary investments in research, development, tangible fixed assets and working capital are taken into account as part of the strategic growth target.

As part of the comparison of target and actual values, the actually achieved value used in determining the target achievement of the FCF IB is adjusted for certain factors that were already taken into account in the target achievement of the annual bonus in previous years. These factors may, for example, be accruals formed in previous years that have already impacted the Group earnings at the time they were recognized – and as a result the annual bonus.

The range of possible target achievement for the two financial performance criteria (EBIT and FCF IB) is between 0% and 200%. The lower limit of this range represents 25% of the target value; the upper limit 125% of the target value. If the actual value is at or below the lower limit of the range (25% of the target value), the target achievement degree is always 0%, so a total loss of the bonus is possible. If the actual value is at or above the upper limit of the range (125% of the target value), the target achievement degree is 200%, which is the maximum. Within the range, target achievement develops in a linear way.

For the calculation of target achievement, actual EBIT and FCF IB values are always adjusted by the impact from investments and divestments above a certain limit to ensure congruence of targets set and achieved.



For the financial performance criteria, the target values, the lower and upper range limit, and the actual target achievement are disclosed ex-post for the respective financial year.

b. Non-financial performance criteria

The non-financial performance criteria, which are oriented towards sustainability and cultural aspects, are currently assigned to three categories and apply uniformly to the entire Board of Management. These categories depict further components of our corporate strategy, such as integrity and employee satisfaction as indispensable parts of an agile, future-oriented corporate culture that is devoted to social values as well as quality as an essential precondition for customer satisfaction and our long-term and sustainable sales success. The non-financial targets are also based on measurable criteria that enable target achievement to be clearly determined after the conclusion of the financial year by means of a comparison of target and actual values. The methods used for

this include employee and customer surveys. Furthermore, industry-typical statistical surveys are carried out, e.g., with regard to product or service quality to determine target achievement. The degree of target achievement of the financial performance criteria may be increased or reduced by up to ten percentage points in total.

The Supervisory Board reserves the right to choose other categories than the ones specified as non-financial performance criteria if this appears to be required in view of the implementation of the corporate strategy. In this case, the non-financial performance criteria will come from one or more of the following categories:

Criteria catalogue for the selection of non-financial performance criteria

| Sustainability | Health & occupational safety | Integrity & compliance | Quality |
|------------------|------------------------------|------------------------|--------------------------------|
| Customer surveys | Employee satisfaction | Employee engagement | Corporate & leadership culture |

The non-financial performance criteria are clearly defined for each financial year and disclosed in the Remuneration Report. The target achievement is also published ex-post.

c. Transformation targets

In order to take into account the implementation of the future-oriented measures for the technological and sustainable realignment of the Mercedes-Benz Group, performance indicators from the future-oriented fields are defined annually.

The topic clusters within the transformation targets are annually discussed by the Supervisory Board and determined for the upcoming financial year. When selecting the transformation targets or the respective performance criteria, it is ensured that they are in thematic accordance with the transformation of the Company, that they are measurable to the extent possible, and that it is possible to transparently determine the respective target achievement. The Supervisory Board has currently set the topic clusters “CO₂”, “Safety Innovations” and “ESG Stakeholder Management” as relevant for the transformation targets.

Based on these target achievements for the transformation targets and the strategic, organisational and structural contribution of the Board of Management as a whole, the Supervisory Board derives a joint degree of target achievement for the Board of Management that takes into account the economic environment and the competitive environment and positioning of the Group. The degree of target achievement for the financial performance criteria of the annual bonus may be increased or reduced by up to 25 percentage points.

The targets determined at the beginning of the financial year and the target achievement are published ex-post in the Remuneration Report.

The total payout amount for the annual bonus is limited to 2 times the base salary of the respective financial year.

2.2. Performance Phantom Share Plan (PPSP)

2.2.1. Basic principles of the PPSP

The long-term variable remuneration is designed in the form of the Performance Phantom Share Plan (PPSP) with a term of four years.

The Supervisory Board specifies a grant value in Euros for every financial year in the context of setting the individual total target remuneration. For this, the Board of Management members are granted a preliminary number of phantom shares as part of the PPSP. The number of the preliminarily granted phantom shares is calculated based on the individual grant value, which is divided by the relevant average Mercedes-Benz share price over a previously determined time period.

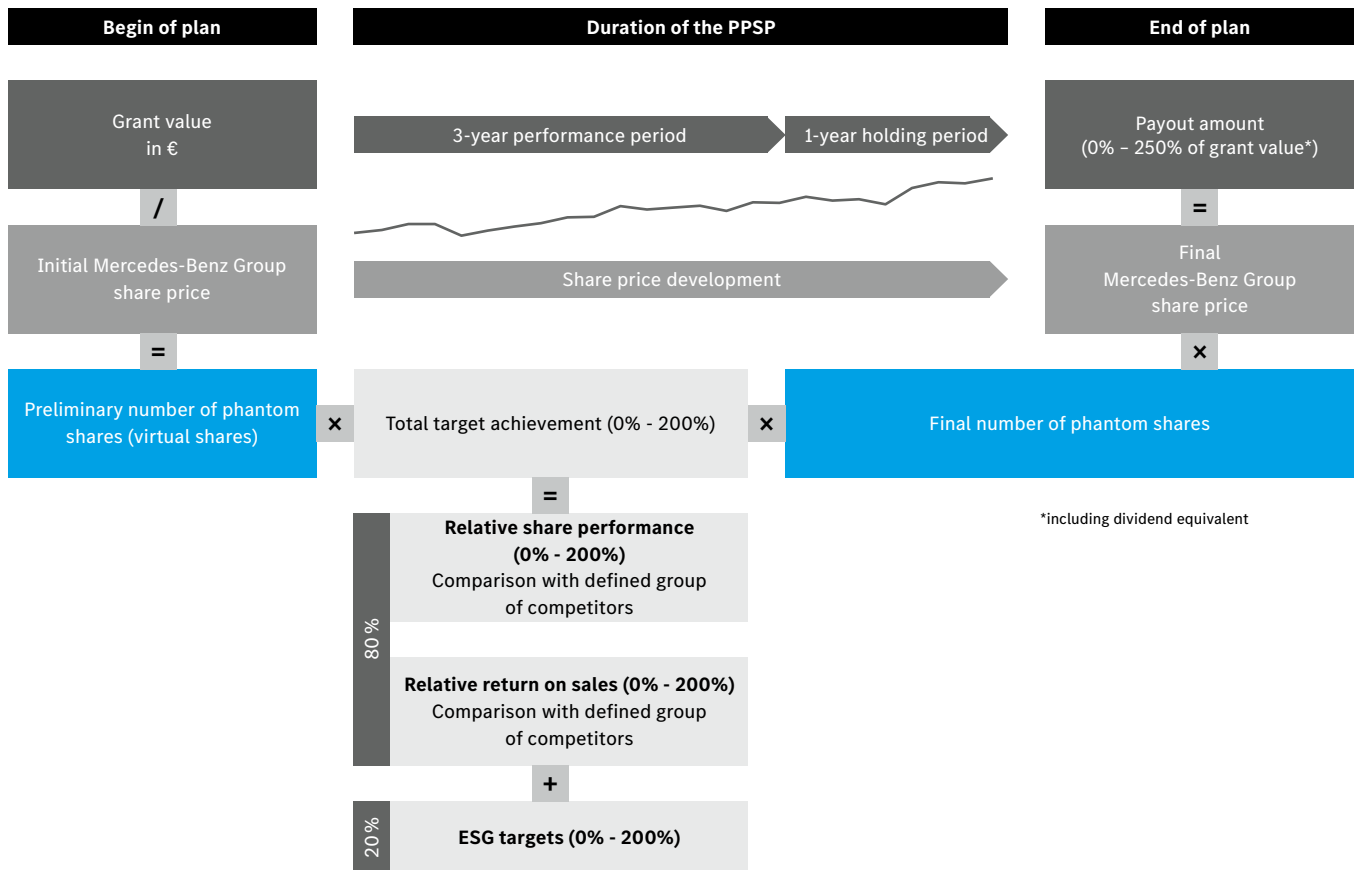
The inflows from the phantom shares depend on three performance criteria previously determined by the Supervisory Board, that are measured over a period of three years (performance period) – these are the relative return on sales, relative share performance and ESG targets – and on the performance of the Mercedes-Benz share. Depending on the overall target achievement of these performance criteria, the phantom shares that were preliminarily granted at the beginning of the plan are initially converted into the final number of phantom shares after the performance period has ended. The range of possible target achievement in the performance criteria is between 0% and 200%.

After another year has elapsed (holding period), the payout amount is calculated by multiplying the final number of phantom shares with the applicable average share price of the Mercedes-Benz share over a previously determined time period. The share price relevant for the payout of the plan is also relevant for the grant of the preliminary number of phantom shares for the newly issued plan in the respective year.

beginning of the plan. This maximum amount also contains the dividend equivalents paid out during the plan term.

In addition to the payout amount at the end of the total four-year term, a dividend equivalent in the amount of the dividend distributed for the Mercedes-Benz share will be paid out during the duration of the plans for the preliminary and the final number of the phantom shares that have not yet been paid out. The resulting payout is limited to 250% of the individual grant value at the

The payout from the PPSP is made after the holding period has elapsed, thus more than four years after the start of the plan. Since the share of the PPSP in the sum of all variable remuneration components exceeds the share of the annual bonus, the majority of the variable remuneration is provided on a share-based basis as recommended by the DCGK. In addition, the Supervisory Board reserves the right to settle the payout amount in Mercedes-Benz AG shares instead of cash.



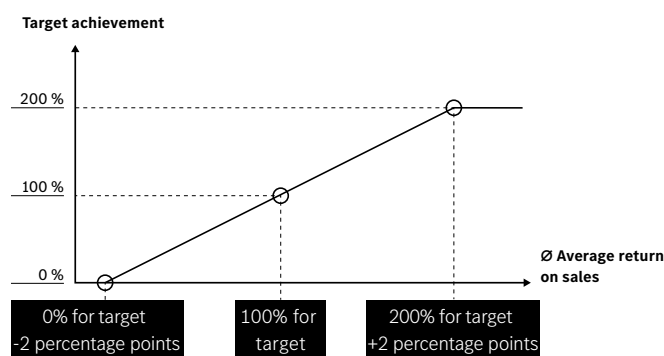
2.2.2. Performance criteria of the PPSP

The overall PPSP target achievement is measured 80% based on the relative return on sales and the relative share performance and 20% based on ESG targets.

a. Relative return on sales

The return on sales performance criterion is set in a three-year-comparison with a group of competitors comprising listed vehicle manufacturers with an automotive share of currently more than 70% by revenue and an investment-grade credit rating. By including the return on sales as a performance criterion, an incentive is created to ensure sustainable and profitable growth and to achieve an increase in efficiency. The relative performance measurement incentivises an outperformance of relevant competitors at the same time.

If the return on sales of the Mercedes-Benz Group corresponds to the average return on sales of its competitors over a three-year performance period (target value), the degree of target achievement is 100%. If the return on sales of the Mercedes-Benz Group is 2 percentage points below the target value, the degree of target achievement is 0%. If the return on sales of Mercedes-Benz Group is 2 percentage points above the target value, the degree of target achievement is 200%. Within this 2-percentage point range above and below the target value, the degree of target achievement develops in a linear way.

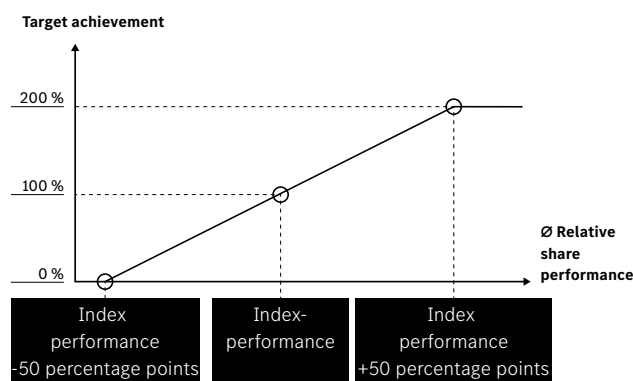


After the plan ends, the target achievement of the relative return on sales performance criterion is disclosed ex-post in the Remuneration Report.

b. Relative share performance

The relative share performance is measured based on the performance of the Mercedes-Benz share in a three-year comparison period with the performance of the group of competitors that is also used for measuring the return on sales target value achievement. By looking at the share performance, a performance criterion is used that very specifically represents the shareholder interests and incentivises an outperformance of relevant competitors at the capital market.

If the percentage performance of the Mercedes-Benz share corresponds to the percentage performance of the index, the degree of target achievement is 100%. If the percentage performance of the Mercedes-Benz share is 50 percentage points or more above the percentage performance of the index, the degree of target achievement is 200%. If the percentage performance of the Mercedes-Benz share is 50 percentage points or more below the percentage performance of the index, the degree of target achievement is 0%. Within this 50-percentage point range above and below the target value, the degree of target achievement develops in a linear way.



After the plan ends, the target achievement of the relative share performance criterion is disclosed ex-post in the Remuneration Report.

c. ESG targets

As an integral part of the corporate strategy, ESG aspects are of great importance in the business activities of Mercedes-Benz Group. In view of this, the Supervisory Board has implemented ESG targets in the PPSP as an additional performance criterion for the Board of Management remuneration. The intention is to establish an even stronger incentive for a sustainable management to set standards for future sustainable mobility.

Before the start of the plan term, the Supervisory Board determines measurable and quantifiable ESG targets. The Supervisory Board generally chooses between one and up to four ESG targets for the plan term that it derives from the corporate strategy of the Mercedes-Benz Group and which are relevant for supporting and implementing of this. If multiple ESG targets are selected, the Supervisory Board will determine their respective weightings before the start of the plan term. The ESG targets come from one or more of the following categories:

| Criteria catalogue for the selection of ESG targets | | | |
|---|-----------------------------------|-------------------------------|---|
| Climate protection & air pollution control | Road safety | Diversity & equal opportunity | Integrity & compliance |
| Sustainable urban mobility & electro mobility | Customer orientation | Employee engagement | Data responsibility |
| Resource preservation | Training & education of employees | Health & occupational safety | Social commitment & stakeholder relations |
| Sustainable supply chains | Respect for human rights | Leadership culture | Sustainable corporate governance |

For the PPSP tranche 2023 (granted at the beginning of the 2023 financial year and with a plan term ending at the end of financial year 2026), the Supervisory Board has selected ESG targets from the categories “Sustainable urban mobility & electro mobility”, “Upholding human rights” respectively “Sustainable supply chains” and “Diversity & equal opportunity”:

| ESG targets PPSP tranche 2023 | | | |
|-------------------------------|--|--|--|
| Category | Sustainable urban mobility & electro mobility | Respect for human rights/sustainable supply chains | Diversity & equal opportunity |
| Target | Share of plug-in hybrids and all-electric vehicles | Assessment of high-risk production materials | Approval rate in the employee survey on fair treatment |

The Supervisory Board specifies a target value for each ESG target that corresponds to a target achievement of 100%, a lower limit that corresponds to a target achievement of 0% and an upper limit that corresponds to a target achievement of 200%. The degree of target achievement develops in a linear way between the upper and lower limits.

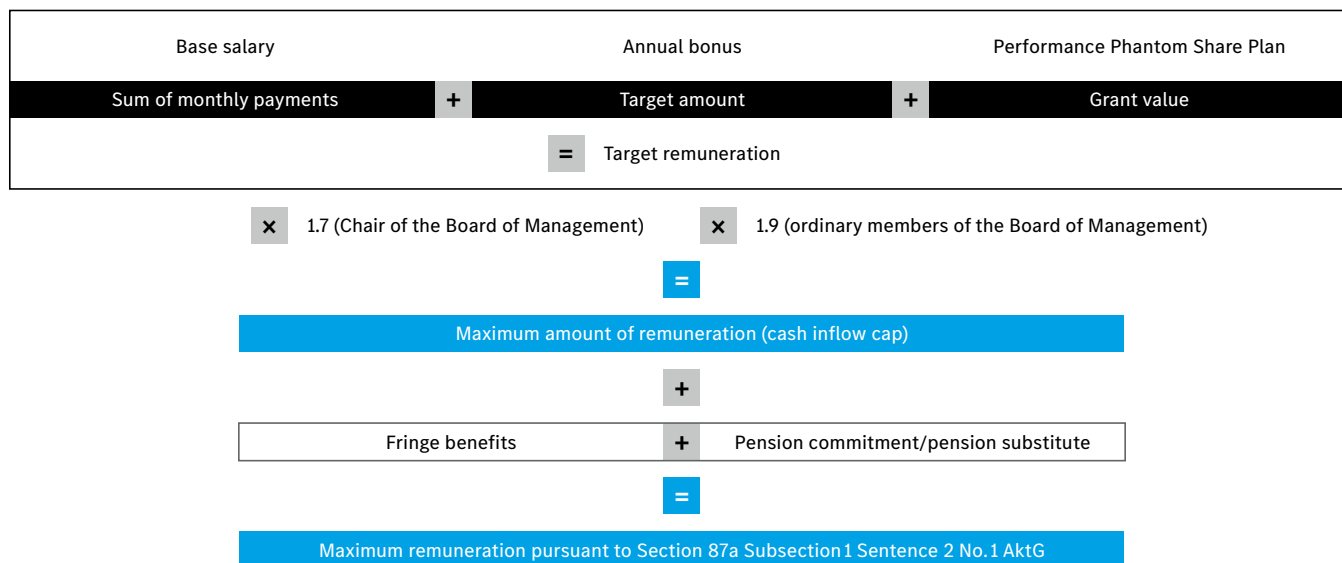
The ESG targets determined for the plan term are disclosed in the Remuneration Report for the first year of the performance period. The target values determined for every ESG target, the upper and lower limits, and the target achievement are disclosed in the Remuneration Report after the plan term has ended.

3. Maximum amounts of remuneration and maximum remuneration

In order to achieve a balanced opportunity-risk profile and create a corresponding incentive effect of the remuneration system, the variable remuneration components are structured in such a way that the amount paid out can be reduced to zero. On the other hand, maximum amounts (caps) have been set for both the annual bonus and the PPSP.

In order to limit the amount of cash inflow for a financial year, the Supervisory Board has defined a maximum amount (cash inflow cap) for the Board of Management members. For the Chairman of the Board of Management, this cap is 1.7 times and for the ordinary members of the Board of Management 1.9 times the sum of base salary, target amount annual bonus and grant value of the PPSP.

Pursuant to Section 87a Subsection 1 Sentence 2 No. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has determined the appropriate maximum remuneration, including fringe benefits and pension expense/substitution, of the Board of Management members. The maximum remuneration achievable for a financial year is €12,000,000 for the Chair of the Board of Management and €7,200,000 for the ordinary members of the Board of Management. The possible cap on the amount exceeding the maximum remuneration occurs with the payout of the PPSP granted in the relevant financial year which is due for payout four years later.



4. Stock Ownership Guidelines (SOG)

Stock Ownership Guidelines (SOG) are in place for the Board of Management members. These require the member of the Board of Management to acquire a significant number of Mercedes-Benz shares over a period of several years and to hold those shares until two years after the end of the service contract. The Stock Ownership Guidelines contribute to establishing and maintaining a long-term participation in the Company by the Board of Management members and closely link the financial interests of the Board of Management with those of the shareholders. The holding requirements beyond the duration of the service contract strengthens the Board of Management members' engagement and contributes to the long-term success of the Mercedes-Benz Group.

Depending on the function of the respective Board of Management member, the number of shares to be held is between 20,000 and 75,000. Generally, up to 25% of the actually paid out gross remuneration (i.e., the gross amount reduced by a cap, if applicable) from the PPSP is to be used to acquire shares in the Mercedes-Benz Group AG until the specified number of shares is reached. The shares may also be acquired in other ways. In special cases, the Supervisory Board may exempt a Board of Management member from the obligation to hold the shares until two years after the end of the service relationship.

5. Malus and clawback provisions

So-called malus or clawback provisions are implemented in the contractual agreements.

According to these provisions, a violation in the capacity as a member of the Company's Board of Management of the obligations pursuant to Section 93 AktG, and in particular of the principles contained in the Company's Integrity Code may lead to the partial or complete reduction of the annual bonus. If it is not possible to deduct the reduction amount from bonuses not yet paid or from future bonuses, the Board of Management member in question will be required to pay back the amount of the bonus reduction from already paid bonuses. The Supervisory Board decides on bonus reductions.

The terms governing the PPSP include a provision that allows for the partial or complete reduction of the payout for any member of the Board of Management who demonstrably violates the principles laid down in the Company's Integrity Code or any other professional obligations prior to the payout of the plan proceeds. The Supervisory Board decides on bonus reductions.

V. Remuneration-related legal transactions

1. Duration of Board of Management service contracts

The service contracts of the Board of Management members are valid for the duration of their appointment and are each extended for the duration of their

reappointment. When a member of the Board of Management is appointed for the first time, the term of appointment and service contract is three years. In the event of reappointment, the term of appointment and service contract is up to five years.

2. Joining or leaving the Board of Management during the financial year

If a Board of Management member joins or leaves the Board during an ongoing financial year, the remuneration is prorated for the respective financial year (including the target amount of the annual bonus and the grant value of the PPSP) in accordance with the term of the service period in the relevant financial year.

3. Early termination of the service contract

3.1. Early termination of the service contract without good cause

In the case of early termination of the service contract without good cause within the meaning of Section 626 of the German Civil Code (BGB), Board of Management service contracts include commitments to payment of the base salary and provision of a company car until the end of the original service period at a maximum. Such persons are only entitled to payment of the annual bonus pro rata for the period until the end of the appointment to the Board of Management. Entitlement to payment of PPSP tranches that have already been granted is determined by the conditions of the respective plans.

To the extent that the payments described above are subject to the provisions of the severance cap of the DCGK, their total including fringe benefits is limited to twice the value of the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

In the event of an early or regular termination of the service contract, both the annual bonus and the proceeds from the PPSP are not paid out in advance but instead at the points in time agreed upon in the service contract or in the terms and conditions of the PPSP plan. There will be no early payout. The entitlements are inheritable.

3.2. Early termination of the service contract with good cause

If the appointment of a member of the Board of Management is revoked pursuant to Section 84, Subsection 4 AktG and there is good cause within the meaning of Section 626 BGB, the service contract shall also end at the time the revocation of the appointment takes effect. In this case, no payments will be made to the Board of Management member as of the date the revocation takes effect and all entitlements to payouts from the annual bonus or PPSP lapse without compensation.

4. No additional severance provisions

There are no assurances in the event of early termination of membership in the Board of Management due to a change of control, nor are there any assurances for compensation in the case of dismissal.

5. Sideline activities of Board of Management members

The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a very limited extent. Furthermore, they require the consent of the Supervisory Board before commencing any sideline activities. Up to a certain amount, the remuneration for mandates in listed companies in which Mercedes-Benz Group AG holds a direct or indirect interest is not offset. If the remuneration exceeds this determined amount, it is partially offset against the Board of Management remuneration. When accepting mandates in companies in which Mercedes-Benz Group AG holds no direct or indirect interest, the remuneration for these mandates is generally not offset.

VI. Process for determining, reviewing and implementing the remuneration system and for determining and reviewing the individual total target remuneration

1. Determining and reviewing the remuneration system

Pursuant to Section 87, Subsection 1 AktG, the remuneration is determined by the Supervisory Board. In this activity, the Supervisory Board is supported by the Presidential Committee. The Presidential Committee develops recommendations for the remuneration system for the Board of Management, taking into account the principles mentioned above and the recommendations of the DCGK in its applicable version. The recommendations of the Presidential Committee are intensively discussed and resolved by the Supervisory Board. If necessary, the

Presidential Committee and the Supervisory Board can make use of the advice of external remuneration experts, who are rotated from time to time. In doing so, their independence from the Board of Management and the Company is ensured and the submission of a confirmation of independence is required.

The remuneration system agreed upon by the Supervisory Board is submitted to the Annual General Meeting for approval.

Based on the preparation and recommendation of the Presidential Committee, the Supervisory Board regularly reviews the remuneration system for the Board of Management. The Supervisory Board makes any changes that are deemed necessary. If major changes are made to the remuneration system, but at least every four years, it is submitted to the Annual General Meeting for approval.

If the Annual General Meeting does not approve the remuneration system, a revised remuneration system has to be submitted for approval at the latest at the next ordinary Annual General Meeting.

2. Determination and appropriateness of the individual total target remuneration

Based on the remuneration system, the Supervisory Board determines the amount of the total target remuneration of the individual Board of Management members for the upcoming financial year. This is set in an adequate proportion to the responsibilities and performances of the Board of Management member and to the situation of the Group. In addition, the Supervisory Board makes sure that the total target remuneration is in line with the market. For this purpose, it uses a horizontal as well as a vertical comparison.

2.1. Horizontal comparison

Within the context of the horizontal comparison of the individual total target remuneration, various peer groups are considered that have a comparable market position to the Mercedes-Benz Group, especially with regard to country, size and industry. These are partly DAX companies and partly a group of national and international competitors.

2.2. Vertical comparison

The Supervisory Board considers the remuneration and employment conditions of the Mercedes-Benz Group employees when determining the individual total target remuneration. For this, the Supervisory Board conducts a vertical comparison of the average remuneration of the senior executive level with the average remuneration of the total workforce (employees paid under collective bargaining agreements and employees not paid under collective bargaining agreements, incl. senior executives) at the Mercedes-Benz Group in Germany. The Supervisory Board has defined the senior executive level as the two management levels below the Board of Management of Mercedes-Benz Group in Germany for this purpose.

In addition to looking at the relation between the Board of Management remuneration and that of peer groups, the Supervisory Board also considers how this relation has developed over the past years within the context of its review. Furthermore, the Supervisory Board compares the relation of the Board of Management remuneration with the remuneration of the total workforce with the respective relations at other DAX and comparable companies.

In the event of significant shifts in the relation between the remuneration of the Board of Management and of the peer groups, the Supervisory Board examines the causes, and if there are no objective reasons, adjusts the remuneration of the Board of Management if necessary.

In addition, the Supervisory Board ensures that the Board of Management remuneration system and the remuneration system of the executive level in particular with regard to the variable remuneration components, set consistent incentives and that the systems are aligned with each other as a result. For example, consistency of the remuneration system in terms of structure and methodology is an essential criterion in the Group remuneration strategy.

3. Measures to avoid conflicts of interest

In handling conflicts of interest of the Supervisory Board members, DCGK recommendations and the rules of procedure of the Supervisory Board and its committees are complied with when determining, reviewing and implementing the remuneration system. The members of the Supervisory Board are obligated to report any conflicts of

interest without delay. In case of a conflict of interest, the affected Supervisory Board or committee member does not take part in the discussion or vote on that matter in the Supervisory Board respectively Presidential Committee. The Supervisory Board reports conflicts of interest and their handling to the Annual General Meeting.

VII. Temporary deviations from the remuneration system

The Supervisory Board may temporarily deviate from the remuneration system pursuant to Section 87a, Subsection 2, Sentence 2 AktG if this is necessary in the interests of the Company's long-term welfare. The exceptional circumstances requiring a temporary deviation from the remuneration system may include severe corporate and economic crises. Generally, unfavorable market developments, however, do not justify a temporary deviation from the remuneration system. Even if there is a deviation, the remuneration must remain oriented towards the long-term and sustainable development of the Mercedes-Benz Group and be aligned with the success of the Company and the performance of the Board of Management member.

Any temporary deviation from the remuneration system is only permitted after a careful analysis of these exceptional circumstances, as well as based on a recommendation of the Presidential Committee stipulated by a corresponding resolution of the Supervisory Board that has additionally identified the unusual circumstances and the necessity of a deviation.

A temporary deviation from the remuneration system is possible if the respective preconditions are present with regard to the variable remuneration and the possible target achievement ranges of the individual variable remuneration components. If the incentive effect of the remuneration cannot be adequately restored by adjusting the existing remuneration components, the Supervisory Board has the right, if the preconditions for a temporary deviation from the remuneration system are present, to temporarily grant additional remuneration components or replace individual remuneration components with other components.

In the event of a temporary deviation from the remuneration system, disclosures must be made regarding the deviations in the Remuneration Report of the following year, including details on the necessity of the deviations and information on the specific components of the remuneration system where a deviation was made.
