

# Chairman's Letter

Dear Shareholders,

Execution and resilience – two words that describe the performance of the Mercedes-Benz Group in 2023. We continued with our disciplined strategy execution and sharpened our focus on sustainable growth. At the same time, we demonstrated resilience thanks to desirable products and pursued our digital and electric transformation.

The past year was as well characterized by economic uncertainty and increasing geopolitical tensions. Protecting the climate and natural resources is one of the existential challenges of our time. Our priorities in this regard have not changed. However, the ambitious targets set by policymakers can only be achieved with the right political framework conditions and in a collaborative dialogue between politics, business and society.

Whilst we will continue to face uncertainties, the management team together with the employees of our company have thus far shown great ability to put countermeasures in place and mitigate these risks. For this I would like to thank the entire Mercedes-Benz team.

With this letter, I am writing to you, dear shareholders, for the last time in my role as Chairman of the Supervisory Board of Mercedes-Benz Group AG. After ten years on the Supervisory Board, including four years as its Chairman, I will leave the Board at the end of the Annual General Meeting on May 8, 2024. In keeping with long-term orderly succession planning, it has already been proposed to the Supervisory Board to elect Dr Martin Brudermueller as my successor as its chairman.

## **Our strategy**

For more than 130 years, we have successfully built products for the world's most demanding customers with a combination of brand strength and cutting-edge technology. A profitable and sustainable growth based on our focus on desirable cars and premium vans is the best way to deliver on the many expectations by our stakeholders, which are for example customers, investors, employees, business partners, non-governmental organisations (NGOs) and society as a whole.

We are taking the necessary steps to go all-electric at Mercedes-Benz. Our plants will be retooled to meet demand and to capture the tipping point into an all-electric era. On the product side the next technological leap is already on the horizon with our own operating system MB.OS and the new MMA architecture. At the IAA in Munich in September 2023, we showcased how the brand will redefine the entry segment with its Concept CLA Class. To enable the shift to electric mobility Mercedes-Benz is also building its own global branded high-power charging network with first charging hubs opened in Chengdu (China), Atlanta (USA) and Mannheim (Germany).

We are currently experiencing that the transition to electric mobility poses major challenges for the markets, especially with regard to the necessary charging infrastructure and customer acceptance. Both factors will set the pace of the transformation. On this path we stay strategically focused, tactically flexible and are planning to be in a position to cater to different customer needs, whether it's an all-electric drivetrain or an electrified combustion engine, until well into the 2030s.

### **Our 2023 results, share buyback policy and dividend proposal**

In 2023, we have proven that even in a period of economic uncertainty and despite a challenging environment we deliver solid results. With a Group EBIT of € 19.7 billion, an EPS of € 13.46 and Free Cash Flow of € 11.3 billion we maintained our elevated profitability whilst facing headwinds from supply chain disruptions and subdued markets.

To optimise our capital structure and to deliver on the expectation of you, our shareholders, we announced a share buyback programme to repurchase own shares worth up to € 4 billion<sup>1</sup> on the stock exchange over a period of up to two years in February 2023. In addition, Mercedes-Benz has resolved to implement a new share buyback policy in February 2024, saying that any future free cash flow from the industrial business as available (post potential small-scale M&A) beyond the approx. 40% dividend payout ratio of Group Net Income, shall be used to fund share buybacks with the purpose of redeeming shares.

In this context, we announced an additional share buyback program to repurchase own shares worth up to €3 billion<sup>1</sup> on the stock exchange, based on the authorization by the Annual General Meeting 2020 and scheduled to commence immediately after the conclusion of the ongoing share buyback programme announced on February 16, 2023. Future share buyback programmes are subject to the necessary resolutions of the company's corporate bodies required in each individual case.

Moreover, we will propose to the Annual General Meeting 2024 an increased dividend of € 5.30 per share (2022: € 5.20).

### **Virtual Annual General Meeting**

With a majority of over 90% the Annual General Meeting 2023 authorised the Board of Management to hold General Meetings within the following two years virtually. The Board of Management decided to make use of this authorization for the Annual General Meeting 2024 in the interests of the Company and its shareholders. It based its decision particularly on the lean agenda without special items, sustainability and cost considerations, the experience of the virtual Annual General Meeting 2023 as well as the Company's own aspiration to assume a significant position on the field of digitalisation. Shareholders rights are fully safeguarded in the virtual format, while their execution is even simplified and more efficient.

### **Supervisory Board**

In succession for me leaving the Supervisory Board at the end of the 2024 Annual General Meeting, the Supervisory Board has proposed Dr Doris Hoepke to the Annual General Meeting for election to the Supervisory Board. With her legal training and her many years of expertise in human resources and risk management, she is an excellent addition to the board. I'm convinced that her work will provide important impetus for the company's development.

It has been proposed to the Supervisory Board to elect Dr Martin Brudermueller as its chairman subsequent to the Annual General Meeting 2024. The current term of office of Dr Martin Brudermueller runs until the Annual General Meeting 2025. In order to ensure continuity in the chairmanship of the Supervisory Board, the re-election of Dr Martin Brudermueller to the Supervisory Board is already proposed to the Annual General Meeting in 2024 but with effect only upon the conclusion of the Annual General Meeting in 2025 for a term until the conclusion of the Annual General Meeting in 2028. Even considering the remaining term of the current mandate of Dr Martin Brudermueller, the proposed new term of office is consistent with our practice to propose shareholders' representatives for election to the Supervisory Board only for a shorter term than the legal maximum period of five years.

<sup>1</sup> not including incidental costs

In the event of his re-election by the Annual General Meeting in 2024 and subsequent election as Chairman of the Supervisory Board, Dr Martin Brudermueller would be available as Chairman of the Supervisory Board for four years.

In recent years, we have continuously expanded the expertise of the Supervisory Board in line with the requirements profile for the challenges of our company's transformation. The Supervisory Board's competencies and experiences reflect the areas relevant to our company, such as finance, digitalisation/IT, sales/brand, sustainability/ESG<sup>2</sup> and industry. With Dr Martin Brudermueller as my proposed successor as Chairman of the Supervisory Board, and Ola Kaellenius, reappointed as Chairman of the Board of Management until May 2029, Mercedes-Benz will be led into the future by a strong, diverse and very experienced team.

### **Remuneration**

2023 was an important year for the remuneration of Mercedes-Benz Group AG, as the Annual General Meeting approved changes to the remuneration system for the Board of Management with an approval rate of 91% and resolved changes to the remuneration system for the Supervisory Board with an approval rate of around 98%.

The remuneration system for the Board of Management has been adjusted with the aim of reducing complexity, increasing transparency for shareholders and implementing sustainability targets. The parameters defined in the remuneration system apply equally to all members of the Board of Management. The revised remuneration system of the Supervisory Board ensures that the members of the Supervisory Board are adequately remunerated and at the same time reduces the complexity of the system.

On behalf of the Supervisory Board, I would like to thank our shareholders for their continued engagement and feedback on this topic.

### **Diesel emissions issue**

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

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 analysis of the facts has progressed further. The external legal counsel of the Supervisory Board regularly reports on the advancement of the assessment. The Supervisory Board has determined that potential claims will not be subject to the statute of limitations in the near future.

Under the 2020 settlement with U.S. authorities, the third reporting year has been completed. Compliance with the provisions of the settlement lies within the company's own responsibility and is monitored by the Supervisory Board and its Committee for Legal Affairs in lieu of an external monitor. This also applies to the company's refinement of its sophisticated technical compliance management system to accommodate future technological and regulatory developments.

The Supervisory Board assesses the ongoing civil and administrative proceedings. These are pursued in the company's best interests, consistent with the strategy jointly approved with the Supervisory Board.

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>3</sup>) in July 2021, the South Korean antitrust authority had published a decision on this topic in June 2023. Due to the cooperation with the respective authorities, the company does not have to pay a fine in this matter.

<sup>2</sup> Environment, Social and Governance

<sup>3</sup> Selective catalytic reduction

Also in the frame of further antitrust authority investigations by the European Commission and the British Competition and Markets Authority (CMA) regarding the disposal of end-of-life vehicles, the company has been cooperating extensively with the authorities 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 spinoff 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 2024 in an amended expert opinion by Professor Dr Mathias Habersack; an updated statement is attached to this letter.

I would personally like to thank the Mercedes-Benz team for the significant progress we have achieved together in transforming our company. Mercedes-Benz has proven that it is resilient and strong in execution. And I would like to thank you, our shareholders, for the trust you have placed in us.

I very much look forward to welcoming you to this year's virtual Annual General Meeting on May 8, 2024.

Sincerely Yours



Dr Bernd Pischetsrieder