

## **Supervisory and advisory activities of the Supervisory Board**

In the 2022 financial year, the Supervisory Board of Mercedes-Benz Group AG again performed, in full, the duties incumbent upon it by law, the articles of association and the rules of procedure.

In this context, the Supervisory Board continuously advised and monitored the Board of Management in the management of the company and provided support on strategically important issues for the further development of the company.

The Supervisory Board reviewed whether the individual company and Consolidated Financial Statements, the Combined Management Report including the Non-Financial Declaration and the other financial reporting complied with the applicable requirements.

Furthermore, after careful review and consultation, it approved numerous business transactions subject to its consent. This related in particular to the approval of a Mercedes-Benz high-power charging network in North America. This also included financial and investment planning, cooperation projects and the conclusion of contracts of particular importance to the company. The Board of Management informed the Supervisory Board about a large number of other measures and business transactions and discussed them intensively and in detail with the Supervisory Board; for example, the effects on the company of supply bottlenecks for certain semiconductor components and the initiated countermeasures.

The Board of Management regularly informed the Supervisory Board about all significant business developments of the Group and the divisions. During the reporting period, it kept the Supervisory Board continuously informed about all fundamental issues regarding corporate planning, including financial, investment, sales and personnel planning; current developments at Group companies; the development of revenue; the situation of the company and the divisions; the economic and political environment; and the current status and assessment of significant legal proceedings. In addition, the Board of Management continuously reported to the Supervisory Board on the profitability and liquidity situation of the company, the development of sales and procurement markets, the overall economic situation and developments on the capital markets and in the financial services sector. Other topics included the further development of

the product portfolio, securing the long-term competitiveness of the company and the further implementation of measures to ensure sustainable, future-oriented mobility. The Supervisory Board also dealt in detail with the political developments and conflicts in the main sales markets and the reaction to them in terms of business policy, the shareholder structure, the share-price development and its background, as well as the expected effects of the strategic projects on the share-price development.

## **Working culture and areas of Supervisory Board activity**

In the 2022 financial year, the Supervisory Board held seven meetings, which were also held as video conferences due to the pandemic. Four meetings were held in person, with the option of participation in virtual form or via telephone, and three meetings were held as video conferences. Meeting attendance by the members was at a very high level, as can be seen in the detailed overview at the end of this report. The work of the Supervisory Board was characterized by open and intensive dialogue. The members of the Supervisory Board regularly prepared for upcoming resolutions using documents provided in advance by the Board of Management. The employee and shareholder representatives also regularly prepared the meetings in separate discussions, which were also attended by members of the Board of Management. In addition, the Supervisory Board was supported in depth by its Committees. At the meetings of the Supervisory Board, its members discussed the measures and transactions to be resolved in detail with the Board of Management. Executive sessions were regularly scheduled for the meetings so that topics could be discussed also in the absence of the Board of Management.

The Supervisory Board was informed of special events outside the regular meetings. In addition, the members of the Supervisory Board and the Board of Management held bilateral meetings to exchange views. The Board of Management also informed the Supervisory Board of the key indicators of the business development and of existing risks by means of written reports.

The members of the Supervisory Board assume responsibility for their training and further education measures in areas such as changes in the legal framework and forward-looking technologies that are required for the performance of their tasks and are supported in this by the company. In addition, new members of the Supervisory

Board have the opportunity to meet the members of the Board of Management and senior executives with specialist responsibility in a specifically designated onboarding programme for a bilateral exchange on fundamental and current topics in respect of the relevant areas of the Board of Management, thus gaining an overview of the topics relevant to the company and of the governance structure. ESG (environmental, social and governance) and sustainability-related thematic blocks are also an integral part of this programme. Furthermore, the members of the Supervisory Board are regularly informed about the regulatory environment relevant to their work on the Supervisory Board and other legal developments affecting them.

At its meeting on 23 February 2022, the Supervisory Board was first briefed on the impact of the escalating conflict between Russia and Ukraine on the company and its employees. In the presence of representatives of the auditor, the Supervisory Board then discussed the preliminary key figures of the 2021 company and Consolidated Financial Statements as well as the preliminary proposal to the 2022 Annual General Meeting for the appropriation of profits and noted them with approval. The Supervisory Board determined that there were no objections to their publication. Insofar as the preliminary key figures had not already been the subject of the ad hoc announcement of 11 February 2022 they were published along with the preliminary proposal for the appropriation of profits at the annual press conference on 24 February 2022. The Supervisory Board also passed resolutions relating to a number of other measures subject to its approval. In addition, the Board of Management provided information on the status of the fulfilment of the settlement in connection with diesel emissions agreed with the US authorities.

At the meeting on 10 March 2022, the Supervisory Board discussed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, including the Non-Financial Declaration for the 2021 financial year of Mercedes-Benz Group AG and the Group, each of which had been issued with an unqualified audit opinion by the auditor, as well as the Declaration on Corporate Governance, the Remuneration report, and the proposal for the appropriation of profits. The members of the Supervisory Board were provided with extensive documentation for their preparation.

The Audit Committee and the Supervisory Board reviewed these documents in detail and discussed them intensively in the presence of the auditor, who reported on the results of their audit and, in particular, addressed the key audit matters and the relevant audit procedures, including the conclusions drawn, and were available for additional questions and information. Following the final result of the review by the Audit Committee and its own review, the Supervisory Board concurred with the result of the audit by the auditor. It determined that there were no objections to be raised and adopted the Annual Financial Statements prepared by the Board of Management and the Combined Management Report, including the Non-Financial Declaration. The 2021 company financial statements of Mercedes-Benz Group AG were thus adopted. On this basis, the Supervisory Board endorsed the proposal of the Board of Management for the appropriation of distributable profits. The Supervisory Board also adopted the Report of the Supervisory Board, the Declaration on Corporate Governance and the Remuneration report, as well as its proposed resolutions on the agenda items for the 2022 Annual General Meeting. In this context, the resolutions required to hold a virtual General Meeting were also adopted.

In addition, the body dealt with the remuneration of the Board of Management on the basis of the remuneration system approved by the Annual General Meeting. Under the corporate governance agenda item, the other board positions and sideline activities of the Board of Management members that were presented at the meeting were approved. The meeting also dealt with the resolution on a product project. In the process, the Supervisory Board also dealt with the tender procedure as part of a selection and proposal process in accordance with the EU Statutory Audit Regulation for the selection of a new auditor for the 2024 financial year. The Board also discussed current legal issues.

At its meeting on 27 April 2022, the Supervisory Board again received reports on the impact of the war between Russia and Ukraine on the company, the supply situation for semiconductor components and raw materials, and the measures taken in each case. The Board of Management also provided information on the positive reactions to the company's ESG conference for investors and analysts, which was held for the first time on 11 April 2022. After the Supervisory Board had given its approval to a product project, the Board of Management provided an

overview of the current financial status, volumes and prices of the vehicle clusters in the current Mercedes-Benz Cars portfolio.

At the virtual Annual General Meeting on 29 April 2022, the candidates proposed by the Supervisory Board, Dame Veronica Anne ("Polly") Courtice and Marco Gobetti, were elected to the Supervisory Board as shareholder representatives. In the subsequent Supervisory Board meeting, Ergun Lümlü was elected Deputy Chairman of the Supervisory Board. In addition, elections were held to fill vacancies on the committees of the Supervisory Board.

By way of resolution using other customary means of communication, the Supervisory Board on 28 June 2022 approved the realignment of the production network to consistently implement the electric-only strategy.

The Supervisory Board held another meeting at the end of July 2022. At this meeting, it discussed in detail with the Board of Management the course of business and the results of the first half of the year. The Board of Management subsequently provided an overview of the current financial status, volumes and prices of the vehicle architectures of the future portfolio of Mercedes-Benz Cars as part of another project report. The Supervisory Board then approved the funds required for the consistent implementation of the electric-only strategy. The Supervisory Board also dealt in detail with the ESG and sustainability issues relevant to Mercedes-Benz and their embedding in the company. The Board of Management reported on the ongoing integration of internal reporting, risk management and decision-making processes, compliance and integrity, and remuneration, among other things.

### **Strategy meeting of the Supervisory Board**

At the start of the two-day strategy meeting on 28/29 September 2022, the Supervisory Board was informed about the current situation of the company and in particular the activities relating to the possible disposal of the Russian business. Following a resolution on a product project, the Supervisory Board approved the Board of Management's decision to hold the 2023 Annual General Meeting on a new legal basis in virtual format. Furthermore, the Board received reports on current legal issues and the fulfilment status of the settlement reached with the US authorities in connection with diesel exhaust emissions. Another item on the agenda was

cybersecurity. The meeting then focused on the company's sustainable luxury strategy and its interpretation and implementation. Amongst the topics discussed were strategic approaches to further developing the brand and customer interaction ("selling desire"), to the product portfolio and technologies ("developing desire") and to increasing profitability ("monetising desire"). With the involvement of the responsible executives, the members of the Supervisory Board and the Board of Management discussed in a constructive and open dialogue how the Mercedes-Benz Group will adapt to new challenges and which opportunities are to be exploited. The car software activities and the global production network were also discussed. The Supervisory Board and the Board of Management also discussed social challenges and corporate responsibility in the area of social justice. Both bodies agreed that social responsibility is an important aspect within the "S" in ESG and Mercedes-Benz can contribute to solving social problems.

By way of resolution with the aid of other customary means of communication, in October 2022 the Supervisory Board approved the Board of Management's plans to sell the company's business activities in Russia.

Also by way of resolution using other customary means of communication, the Supervisory Board resolved in November 2022, after carrying out the selection and proposal process in accordance with the EU Statutory Audit Regulation on the basis of the recommendation and preference of the Audit Committee and after its own assessment, to propose to the Annual General Meeting 2023 the appointment of PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt a. M., as the new auditor of the annual financial statements, auditor of the Consolidated Financial Statements and auditor for the review of interim financial reports for the 2024 financial year.

At its meeting on 16 February 2023, the Supervisory Board dealt with the specific election proposals to the 2023 Annual General Meeting and, on the recommendation of the Nomination Committee, decided to propose to the 2023 Annual General Meeting that Stefan Pierer be elected to the Supervisory Board for the first time. In the event of the election of the proposed candidate, the statutory quota for women remains fulfilled both on the shareholder side and for the Supervisory Board as a whole.

For the composition of the Board of Management, the Supervisory Board set a target for the proportion of women of at least 25% in December 2020 and a dead line of 31 December 2025. Since August 2022, a legally mandated minimum participation requirement must be complied with when appointing members of the Board of Management. This requirement stipulates that at least one woman and at least one man must be a member of the Board of Management in listed companies with parity participation and more than three members on the Board of Management. Companies that are subject to the minimum proportion requirement are no longer obliged to set a target quota for the proportion of women on the board of management. Nevertheless, within the framework of the overall requirements profile for appointments to the Board of Management, the Supervisory Board has decided to go beyond the stipulations of the minimum proportion requirement and maintain the target quota for the proportion of women on the Board of Management that was set in 2020. As at 31 December 2022, three of the eight members of the Board of Management are women: Renata Jungo Brüngger, Sabine Kohleisen and Britta Seeger. The proportion of women on the Board of Management is now 37.5%, which means it exceeds the target that was set.

Corporate governance at the Mercedes-Benz Group is explained in detail in the Declaration on Corporate Governance.

### Work in the committees

The **Presidential Committee** held three meetings in the past financial year. Two of the meetings were held in person and one meeting was held as a video conference. In particular, it discussed personnel matters and succession planning for appointments to the Board of Management. Furthermore, the Presidential Committee discussed the acceptance by members of the Board of Management of

board positions at other companies and institutions, corporate governance issues, D&O insurance and remuneration issues.

The **Audit Committee** held seven meetings in the year 2022. Four meetings were held in person, with the option of participation in virtual form or via telephone, and three meetings were held as video conferences. Further details of the Audit Committee's work can be found in the Report of the Audit Committee.

The **Legal Affairs Committee** held three meetings in the year 2022. Two meetings were held in person, with the option of participation in virtual form or via telephone, and one meeting was held as a video conference. In those meetings, it was informed in detail about legal matters relating to emissions and cartels and discussed these matters in the presence of the legal advisers of the Supervisory Board. It discussed the continuing further development of the technical compliance management system, also with respect to future technologies. The Committee received reports on the progress of the review of potential responsibilities in connection with diesel emissions and anti-trust matters from the legal advisers engaged for this purpose by the Supervisory Board. The Committee regularly reported to the Supervisory Board on its work and, after discussing and weighing the relevant aspects, made recommendations for resolutions to the Supervisory Board, taking the Group's best interests into account. The Committee also discussed the risks of a limitation of possible liability and took appropriate measures in the cases in point. As part of the settlement reached with the US authorities in connection with diesel emissions, the Committee was assigned specific tasks and decision-making competences with regard to the fulfilment of the obligations assumed in the settlement. The Committee also fulfilled these tasks in full and with great care.

The **Nomination Committee** held two meetings in the 2022 financial year, both of them as video conferences. The Committee specifically considered the recommendations for the election proposals of the Supervisory Board to the Annual General Meeting. In this context, it was guided by the interests of the company, taking all circumstances of the individual case into account, and striving to fulfil the overall profile of requirements, along with the diversity concept and competence profile for the entire Supervisory Board.

During the reporting period, there was no reason to convene the **Mediation Committee**.

### **Changes in the Supervisory Board and the Board of Management**

At the virtual Annual General Meeting on 29 April 2022 the candidates proposed by the Supervisory Board, Dame Veronica Anne ("Polly") Courtice and Marco Gobetti, were elected to the Supervisory Board to succeed Bader M. Al Saad and Dr Clemens Börsig, who then retired from the Supervisory Board. In the subsequent Supervisory Board meeting, Ergun Lümali was elected Deputy Chairman of the Supervisory Board and thus Deputy Chairman of the Mediation and Presidential Committees. Timotheus Höttges was elected to the Audit Committee and Dame Polly Courtice to the Legal Affairs Committee to succeed Dr Clemens Börsig, who left the Supervisory Board at the end of the Annual General Meeting. In addition, Roman Romanowski was elected to succeed Michael Brecht on the Legal Affairs Committee. Subsequently, the members of the Audit Committee elected Olaf Koch as the new Chairman of the Audit Committee. Finally, the members of the Legal Affairs Committee elected Olaf Koch as the new Chairman and Ergun Lümali as the new Deputy Chairman of this committee.

At the meeting of the Supervisory Board on 16 February 2023, the shareholder representatives resolved, on the basis of a corresponding recommendation by the Nomination Committee, to propose to the 2023 Annual General Meeting that Stefan Pierer be elected to the Supervisory Board. Furthermore, per the Supervisory Board guidelines regarding Board of Management appointments, the Supervisory Board appointed Renata Jungo Brüngger as a member of the Board of Management of Mercedes-Benz Group AG with responsibility for Integrity & Legal Affairs with effect from 1 January 2024 for a further one-year term.

### **Audit of the individual company and Consolidated Financial Statements**

The Annual Financial Statements of Mercedes-Benz Group AG and the Combined Management Report for Mercedes-Benz Group AG and the Group for 2022 were duly audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and issued with an unqualified audit opinion. This also applies to the 2022 Consolidated Financial Statements compiled in accordance with IFRS.

In a meeting of the Supervisory Board on 16 February 2023, the preliminary key figures of the 2022 company and Consolidated Financial Statements as well as the preliminary proposal to the 2023 Annual General Meeting for the appropriation of profits were discussed and noted with approval in the presence of representatives of the auditor. The Supervisory Board determined that there were no objections to their publication. The preliminary key figures for the 2022 financial year and the preliminary proposal for the appropriation of profits were published at the annual press conference on 17 February 2023. In the same meeting, the Supervisory Board also approved the share buyback programme proposed by the Board of Management.

At the meeting on 13 March 2023, the Supervisory Board discussed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, including the Non-Financial Declaration for Mercedes-Benz Group AG and the Group, each of which had been issued with an unqualified audit opinion by the auditor, as well as the Declaration on Corporate Governance, the Remuneration report, and the proposal for the appropriation of profits.

The members of the Supervisory Board were provided with extensive documentation for their preparation, including the Annual Report with the Consolidated Financial Statements compiled in accordance with IFRS, the Combined Management Report including the Non-Financial Declaration for Mercedes-Benz Group AG and the Group, as well as the Declaration on Corporate Governance, the Remuneration report, the Annual Financial Statements of Mercedes-Benz Group AG, the proposal of the Board of Management for the appropriation of profits, the audit opinions of KPMG AG Wirtschaftsprüfungsgesellschaft for the Annual Financial Statements of Mercedes-Benz Group AG and the consolidated financial statements, in each case including the Combined Management Report and information on the accounting-related internal control system, as well as drafts of the reports of the Supervisory Board and the Audit Committee.

The Mercedes-Benz Group has also formulated strategic ambitions for each of the six areas of action.

- **Climate protection and air quality:** Plans call for the Mercedes-Benz new vehicle fleet to be CO<sub>2</sub>-neutral on the balance sheet across the entire value chain by 2039 and to no longer have any relevant impact on NO<sub>2</sub> levels in urban areas by 2025.
- **Resource conservation:** The Mercedes-Benz Group wants to decouple resource consumption from business volume growth.
- **Sustainable urban mobility:** The Mercedes-Benz Group wants to contribute to the improvement of the quality of life in cities through its leading mobility and transport solutions.
- **Traffic safety:** The Mercedes-Benz Group is working to make its vision of accident-free driving a reality as it develops automated driving systems while also taking social and ethical issues into account.
- **Data responsibility:** The future of the Mercedes-Benz Group consists of sustainable, data-based business models. With these business models, it focuses on the needs of its customers and the responsible handling of data.
- **Human rights:** The Mercedes-Benz Group has assumed responsibility for respecting and upholding human rights along its automotive value chain.

The Mercedes-Benz Group has defined three enablers, or principles, that are crucial for achieving success in the six areas of action: integrity, people and partnerships.

### Materiality analysis

A comprehensive materiality analysis was carried out in 2021 in order to determine which sustainability topics are particularly relevant for the Mercedes-Benz Group and its stakeholders. This was completed in 2022.

This materiality analysis addressed the six strategic areas of action as well as further potentially relevant sustainability topics and trends. A total of 17 topics were evaluated, and these were further divided into sub-topics.

The analysis consists of several components:

The basis for assessing the relevance of the sustainability topics and trends was a comprehensive desk analysis and an international online survey. The survey queried approximately 15,000 people from 52 countries who depicted relevant stakeholder groups such as employees, private and business customers, interested consumers, suppliers and business partners, investors, politicians and government officials, scientists, and representatives of government administrations and non-governmental organizations (NGOs). In addition, the Mercedes-Benz Group conducted around 20 interviews with both internal and external experts from the aforementioned stakeholder groups. The goals here were to assess the sustainability performance of the Group to date and identify sustainability trends in order to gauge the relevance of the sustainability topics. The Mercedes-Benz Group also took the first steps to evaluate the effects of its business activities on the environment and society. In order to assess topics from an outside-in perspective, the Mercedes-Benz Group analysed competitors, media reporting, key NGO positions, regulatory requirements and information relevant to capital markets.

In a subsequent step, the sustainability topics that resulted from this analysis were assessed by the Mercedes-Benz Group with regard to financial position, liquidity, cash flows, profitability and business development in order to define the topics for this Non-Financial Declaration. Consequently not all the strategic areas of action are illustrated in this Non-Financial Declaration.

## Managing sustainability

The Mercedes-Benz Group manages the work in the strategic areas of action — alongside other tasks — by means of an internal reporting process that uses detailed scorecards. This process is supported by clear lines of responsibility in the management and organizational structures used at all of the divisions.

The Group Sustainability Board (GSB) is the central management body for all sustainability topics and reports to the Board of Management. The GSB is chaired jointly by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Markus Schäfer (the Board of Management member responsible for Development and Procurement, who is also the Chief Technology Officer). The Chairman of the Board of Management and all other Board of Management members, as well as the managers of all relevant functions and departments, are members of the GSB.

The operational work is done by the Sustainability Competence Office (SCO), which consists of experts from the units managed by the two Co-chairs of the GSB as well as additional specialists from Corporate Strategy, Finance and Corporate Communications. The SCO provides advice to the specialist units and helps them complete the tasks assigned to them by the GSB. The SCO also monitors the progress made in the six areas of action and the three enablers defined in the sustainable business strategy. The results are reported to the GSB and the Board of Management of Mercedes-Benz Group AG in the form of detailed scorecards at least twice a year.

The Mercedes-Benz Group also uses the ten principles of the UN Global Compact (UNGC) as a fundamental guide for its business activities. As a founding member, it is strongly committed to the UN Global Compact.

The Mercedes-Benz Group's internal principles and policies are founded on this international frame of reference and other international principles, including the Core Labour Standards of the International Labour Organisation (ILO), the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The remuneration for the Board of Management and Level 1–3 executives, as well as for Level 4 managers in some cases, includes both financial and sustainability targets in the form of the variable components of the company bonus. These consist primarily of transformation targets including those involving CO<sub>2</sub> emissions, due diligence obligations in raw material procurement, and traffic safety in addition to further non-financial targets. These targets relate to the topics of customers, integrity and employee commitment and diversity. Further information can be found in the Remuneration report for 2022 ([group.mercedes-benz.com/remuneration-bom](https://group.mercedes-benz.com/remuneration-bom)).

## Risk and opportunity management

Detailed information on, among other things, the risk and opportunity management system and the associated processes can be found in the Risk and Opportunity Report of this Annual Report.


Risk and opportunity management is a firm component of the Group-wide planning, controlling and reporting process. It is designed to support the sustained achievement of the corporate targets and to ensure risk awareness at the Mercedes-Benz Group. In identifying sustainability-related risks and opportunities, Mercedes-Benz Group is guided by the topics identified by the materiality analysis and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. Sustainability-related risks and opportunities are understood to be conditions, events, or developments involving environmental, social or governance factors (ESG), the occurrence of which may have an actual or potential impact on the Mercedes-Benz Group's profitability, liquidity and capital resources. This further includes any risks and opportunities whose occurrence may have a positive or negative impact on the economy, the environment, or society.

Sustainability aspects — as they relate to the environment — include, among other things, the effects of climate conditions and changes, as well as the impact of the Group's transformation process as a result of changed political conditions, technological developments and changing markets.

Labour law standards, occupational and product safety, product liability and suppliers' compliance with labour law standards are examples of circumstances categorized

as social issues. The area of governance is concerned with matters such as honesty in tax affairs, measures taken to prevent corruption, and ensuring data protection.

ESG-related risks and opportunities associated with the Mercedes-Benz Group's own business activities, business relationships and products and services, and which are very likely to have a serious negative impact on the non-financial aspects in accordance with Sections 315c, 289c of the German Commercial Code (HGB), are not currently apparent. Climate-related risks and opportunities in connection with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) are environment factors and are thus also identified and assessed as part of the risk management process. Additional information is available in the TCFD report

 [sustainabilityreport.mercedes-benz.com/2021/services/pages/downloads/files/tcf-d-mercedes-benz-sr21.pdf](https://sustainabilityreport.mercedes-benz.com/2021/services/pages/downloads/files/tcf-d-mercedes-benz-sr21.pdf)

### Sustainable investment

The implementation of the Mercedes-Benz Group's sustainable business strategy requires a major amount of investment. For this reason, one of the Group's goals is to ensure that its securities are viewed by the capital market as a sustainable investment. To this end, the Mercedes-Benz Group maintains a continuous dialogue with players on the capital market as representatives of investors in equity and debt. Various platforms are used here. In 2022, the Mercedes-Benz Group presented this approach to investors and analysts at its first digital ESG (Environmental, Social and Governance) Conference.

The Investor Relations & Treasury unit at Mercedes-Benz Group AG works closely together with the company's in-house sustainability departments and is also integrated into the relevant committees. This is how the Mercedes-Benz Group is responding to the fact that sustainable investment has become a central investment strategy — in particular for institutional investors, who set especially high standards of transparency for external reporting according to ESG criteria.

In the reporting year, Mercedes-Benz Group AG converted the existing credit line of €11 billion into a sustainability linked loan (SLL). In this way, the company links its credit line to sustainability achievements in the area of climate change mitigation — for example, the global share of all-electric vehicles in the Mercedes-Benz fleet. The arrangement fee for the existing credit line is reduced if the Mercedes-Benz Group achieves the selected sustainability targets. With this transformation, the company also continues to implement its "Ambition 2039" in the area of sustainable financing.

In 2020, the Group developed a Group-wide Green Finance Framework in order to position the Mercedes-Benz Group even more effectively as a sustainable company worthy of investment and to enable it to utilize ESG-based capital for its business development. It makes it possible for the Group to finance investment targeted at the development, production and customer financing of all-electric vehicles through bonds and loans, for example. The Mercedes-Benz Group has issued green bonds in September 2020 and March 2021. In November 2022, Mercedes-Benz Group issued its first green bond outside the European market as a green panda bond in China.

The framework is based on the Green Bond Principles (the voluntary process guidelines of the International Capital Market Association — ICMA) and the Green Loan Principles, which are the joint voluntary process guidelines of the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA). In addition, the Mercedes-Benz Group strives for the certification with the highest rating — Dark Green — for the planned 2023 framework update from the respected Centre for International Climate and Environmental Research (CICERO). It is planned to be developed to be consistent with the significant contribution to the environmental objective of climate change mitigation under the technical screening criteria of the EU taxonomy.

The Mercedes-Benz Group operates as an investor itself when it invests the company's pension assets. ESG criteria are also playing an increasingly important role in this area.



For German pension assets, the following objectives have been defined for the consideration of ESG criteria: Creation of transparency in dealing with sustainability aspects, exploitation of opportunities from sustainable developments and the appropriate consideration of sustainability risks. For the majority of German pension assets the investments are made by asset managers to whom the Mercedes-Benz Group issues individual mandates.

In coordination with the Investment Committees, the Mercedes-Benz Group pays, as part of its sustainability concept, increased attention to the consideration and transparency of sustainability aspects in the investment process. In addition, the risk and return aspects associated with sustainable investments are also taken into account. For liquid asset classes of the German pension assets, the Mercedes-Benz Group only works with investment managers who have signed the UN Principles for Responsible Investment. It also uses a negative list to exclude investing in companies and countries that do not fulfil the Group's core requirements. Furthermore, the Mercedes-Benz Group focuses on gradually integrating sustainability aspects — via benchmarks or sustainability performance indicators, for example — into its mandates. In 2022, the Mercedes-Benz Group also further expanded its ESG-themed investments and took its first steps to create an internal reporting system for various sustainability metrics for its German pension assets.

### **Tax obligation**

The Mercedes-Benz Group views itself as a responsible company that endeavours to meet all of its global tax obligations and use public funding responsibly. In this way, the Group can also fulfil its social and ethical responsibilities.

The Group's tax strategy operates according to the following principles in particular:

- With efficient, high-quality and reliable expertise, processes, systems, methods and controls, the Mercedes-Benz Group wants to ensure that the tax obligations of the Group companies are met and integrity standards are maintained.

- In line with the principle of being a good corporate tax citizen (i.e. fulfilling its responsibility as a taxpayer), the Mercedes-Benz Group conducts legal, proactive and non-aggressive tax planning activities on the basis of economic considerations ("tax follows business"). The Mercedes-Benz Group also strives to work cooperatively, transparently and constructively with the tax authorities. In this process, it maintains its legal standpoints and defend its interests wherever it believes such actions are appropriate and legitimate.

The Group tax strategy drawn up by the board of management of the Mercedes-Benz Group AG defines the limits of action here, and this strategy is further specified and implemented by means of organizational and content-related policies, guidelines and instructions. The tax strategy is regularly reviewed for appropriate adjustments.

The tax policies define the responsibilities, tasks and obligations of those individuals at the Group who deal with tax issues, and also contain specific provisions for ensuring that legal requirements are met, thus raising the awareness of tax issues among employees. Management is kept informed about relevant tax issues by means of monthly reports and regular communications, as well as when required. Moreover, it is involved in compliance processes:

- Regular communication between CFO and Head of Taxes
- Regular information to the Supervisory Board on risks and opportunities as well as current regulatory issues

The Code of Conduct stipulates that all intentional violations of external and/or internal tax guidelines must be reported and investigated. The same applies to any failure to make corrections to procedures performed in an erroneous manner, as outlined in our internally valid Treatment of Violations Policy. Further information can be found in the Integrity and Compliance chapter.

The Mercedes-Benz Group has established a Tax Compliance Management System (Tax CMS) in order to ensure effective tax compliance throughout the Group. The Tax CMS is a separate sub-unit of the general intra-Group Compliance Management System. The Tax CMS also operates an active tax-risk management system that is consistently applied throughout the Group in order to monitor and check whether tax obligations are being fulfilled, and also to support those responsible for ensuring such fulfilment. Another goal here is to identify and reduce tax risks at the Group, and thus the associated personal risks that may be faced by the employees active in this area. The system includes numerous measures — for example, continuous monitoring of tax risks and the incorporation of tax risk issues into the internal control system and the Group-wide risk management process in line with the company's risk management policy.

The Mercedes-Benz Group did not become aware of any criminally relevant material violations of tax laws during the reporting year.

### **Sustainability in the supply chain**

The Mercedes-Benz Group is committed to the responsible procurement of production materials, non-production materials and services.

The Responsible Sourcing Standards (RSS) serve as the guideline for the sustainable supply chain management system at the Mercedes-Benz Group. The RSS define minimum requirements for suppliers, as well as the expectations we have of them. The Mercedes-Benz Group requires its direct suppliers to comply with the RSS for new tenders, communicate the associated provisions to their employees and to their own direct suppliers, and ensure the RSS are complied with in all areas in which they exert an influence. The goal here is to prevent, minimize or, if possible, put a stop to any negative effects on human rights worldwide.

The RSS also define environmental protection requirements that are meant to ensure resource conservation and prevent environmental damage caused by business activities, repair any damage that does occur, and compensate for such damage that cannot be avoided or repaired. Direct suppliers to the Mercedes-Benz Group must comply with the RSS, communicate the associated provisions to their employees and to their own direct suppliers, and ensure the RSS are complied with in all areas in which they exert an influence.

### **Measures in the supply chain**

The Mercedes-Benz Group uses a variety of measures and concepts to ensure the fulfilment of its due diligence obligations in the supply chain. These include supplier screenings, audits, risk-based due diligence analyses and qualification modules for production material suppliers. The Mercedes-Benz Group uses these tools in order to increase the transparency of the supply chain and ensure that the internationally recognized human rights are upheld by business partners as well, and that other social standards and environmental requirements are met. Procurement units play a key role here. See the Social Compliance and Environmental Issues chapters for further information.

### **Complaint management**

The Group offers employees and external whistleblowers various channels through which they can report suspected human rights violations and rule violations and also request remedy. With regard to supply chains, suspected violations of the Responsible Sourcing Standards can be reported via the Business Practices Office (BPO). If the misconduct or problem falls within the supplier's area of responsibility, the supplier must take measures to immediately correct or eliminate the problem. Further information about the Compliance Programme can be found in the Integrity and Compliance chapter.

## Dialogue and events

For the Mercedes-Benz Group, stakeholder engagement is one of the keys to achieving a sustainable transformation. Discussions with individuals involved in political decisions preferentially focus on finding sustainable solutions for addressing social challenges.

Within the framework of the responsible political representation of its interests, the Mercedes-Benz Group continuously seeks to establish and maintain a dialogue with government representatives and politicians at its locations worldwide, and it continued to do so in the reporting year. The Mercedes-Benz Group also shares ideas and information with other interest groups and individuals, including groups that are active in politics and society, opinion leaders, experts, citizens, representatives from business and non-governmental organizations (NGOs). Together with these stakeholders, the Mercedes-Benz Group supports the opinion-forming process at both national and international level in order to promote the sustainable business goals and the transformation of the automotive industry. It also addresses future-oriented questions relevant to the Group that go beyond the core automotive issues and feeds these back to the Group management in the context of strategy work.

In order to facilitate open discussions with a wide range of interest groups, External Affairs also conducts its own events at regional, national and international levels.

Within the framework of its responsible approach to the representation of its interests and the forward-looking handling of risks, the Mercedes-Benz Group engages in a targeted dialogue with local stakeholders from government and society when planning new projects or when the need arises to address issues relating to its sites. Board members are also involved in the local dialogue. Through stakeholder mapping, the positions of relevant stakeholders are analysed in advance. The main objective here is to reconcile the interests of the sites in question with the wishes and concerns of local residents and establish conditions that benefit all of the parties involved.

Further information on stakeholders along the supply chain can be found in the chapter Social Compliance.

The Regional Political Dialogue is a long-standing event format from External Affairs. The challenges and opportunities associated with the transformation of the

automotive industry, as well as the current corporate strategy were discussed with representatives of state and local governments in July 2022.

Along with its own events in connection with the political representation of its interests, the Mercedes-Benz Group also participates in external events in order to engage with various stakeholders. Among other things, the Group participates in the platform for the state government of Baden-Württemberg's strategic dialogue for the automotive industry.

In addition to the direct dialogue with politicians and government representatives and representatives of interest groups that promote sustainable development, the Mercedes-Benz Group remained active in various sustainability initiatives and networks in 2022. Some of the most important initiatives here are the UN Global Compact (UNGC), econsense — Forum Nachhaltige Entwicklung der Deutschen Wirtschaft e.V. — Forum for Sustainable Development of German Business, and the World Business Council for Sustainable Development.

## Results

During the reporting year, the Mercedes-Benz Group achieved its goal of “making lobbying activities comprehensible and verifiable on the basis of defined evaluation criteria”. The Group developed a catalogue of criteria that can be used to assess whether its lobbying positions correspond to its strategy, for example.

The Mercedes-Benz Group also achieved another milestone in 2022 — “continuing stakeholder interviews and deriving necessary measures for the future political representation of its interests”. The stakeholder interviews revealed that the Mercedes-Benz Group is viewed as a trustworthy discussion partner in the political realm. Nevertheless, the interviews still revealed potential for improvement. In order to effectively utilize its potential for improvement here, the Mercedes-Benz Group has published further information regarding its advocacy positions on the most important issues affecting the Group and its stakeholders on the Internet (additional information [🌐 group.mercedes-benz.com/company/advocacy](https://group.mercedes-benz.com/company/advocacy)).

The Mercedes-Benz Group is also continuously further developing its partnership portfolio in order to achieve its sustainable business targets. During the Sustainability Dialogue in 2022, participants in the Partnership workshop (including representatives from the Advisory Board for Integrity and Sustainability and representatives from government, business and NGOs) defined criteria for ensuring effective partnerships. These include the following: a clear target for the partnership, a systematic approach, defining performance measures, building up mutual trust, an open exchange of knowledge (open source) and the scalability of the approaches to a solution.

### **Sustainability Dialogue**

As a globally operating organization, the Mercedes-Benz Group wants to contribute to the achievement of the Sustainable Development Goals of the United Nations. An important instrument for implementing these goals is the communication with stakeholders in the form of the Sustainability Dialogue, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of the Board of Management of Mercedes-Benz Group AG and executive management.

The Mercedes-Benz Group held the Sustainability Dialogue as a hybrid event in 2022. More than 200 external and internal participants in a total of seven working groups engaged in discussions of various topics both on-site in Sindelfingen and online and also participated in a public stakeholder dialogue.

In addition, organizational and thematic preparations were made for the Sustainability Dialogues in China and India scheduled for early 2023.

### **The Advisory Board as an important source of support**

The Advisory Board for Integrity and Sustainability has been providing support for the company's sustainability work since 2012. The board's members are independent external specialists from the fields of science and business, as well as from civic organizations, and include experts who possess specialized knowledge regarding environmental and social policy, the development of transport, traffic and mobility, and human rights and ethical issues. The members of the Advisory Board support the Mercedes-Benz Group with constructive criticism on questions related to integrity and corporate responsibility. The Advisory Board convenes several times a year in

meetings that are chaired by the member of the Board of Management responsible for Integrity and Legal Affairs. One of these meetings specifically serves to share information with other members of the Board of Management and members of the Supervisory Board. As part of a Sustainable Strategy Week, the responsible managers from the various specialist units meet with the Advisory Board members to discuss the areas of action and enablers identified in the sustainable business strategy and also talk about targets, strategies, measures and the results achieved with these. The Advisory Board also holds regular meetings with managers and other employees to discuss specific topics. Two new working groups were established in the reporting year in order to strengthen this dialogue. The goal here is to promote more extensive discussions on the topics of "Integrity and employees" and "Climate change mitigation and resource conservation". In 2022, the Advisory Board also addressed, among other things, the new Corporate Citizenship Strategy, the social dimension of sustainability and its impact on the Mercedes-Benz Group, and the topic of climate neutrality.

### **Fellowship programme for young people**

"beVisioneers — The Mercedes-Benz Fellowship" (additional information [bevisioneers.world](https://bevisioneers.world)) — this is the name under which The DO School Fellowships gGmbH (The DO School) has designed a support programme. It is funded by Mercedes-Benz AG through donations to The DO School and implemented by the organization's team of experts. Mercedes-Benz AG chose The DO School after a multi-stage selection process and based on the organization's experience and expertise in designing and implementing global support programmes.

The programme's long-term goal is to build a global community of people whose sustainability projects have a positive impact on the environment. The programme is being funded by the proceeds from the auction of a Mercedes-Benz 300 SLR Uhlenhaut Coupé from 1955 during the reporting year. The vehicle was sold for €135 million. Most of the auction proceeds are used to secure the programme's funding through annual donations to The DO Fellowship gGmbH.

## Integrity and compliance

### B.35

Target	Target horizon
The Mercedes-Benz Group's integrity-related activities are designed to help the company achieve the following key targets:	
<ul style="list-style-type: none"> <li>– Minimizing risks through knowledge of and compliance with the Integrity Code</li> <li>– All employees and managers behave and act in an ethical and responsible manner</li> <li>– Discussions and dialogue concerning current key integrity topics</li> <li>– Feedback from integrity analyses is incorporated into measures designed to strengthen the culture of integrity</li> </ul>	Ongoing
The Mercedes-Benz Group's compliance-related activities are designed to help the company achieve the following key targets in particular:	
<ul style="list-style-type: none"> <li>– Respect for and upholding of human rights</li> <li>– Compliance with corruption prevention regulations</li> <li>– Maintenance and promotion of fair competition</li> <li>– Ensuring product compliance with technical and regulatory requirements</li> <li>– Adherence to data protection laws</li> <li>– Compliance with all applicable embargoes and sanctions</li> <li>– Prevention of money laundering and the financing of terrorism</li> </ul>	Ongoing

Companies only stay successful if their actions are ethical and legally responsible. This is especially the case during times of upheaval and change like those that companies are currently experiencing. Hence, integrity and compliance are very important to the Mercedes-Benz Group.

#### A corporate culture of integrity

The automotive industry is in a state of radical change. New fields of business are developing and new technologies are raising new questions — both ethical and legal. Moreover, the Covid-19 pandemic has led to profound changes all over the world. In such times of change and uncertainty, value-based action matters more than ever.

That's why integrity is a central element of the Mercedes-Benz Group corporate culture and an enabler that forms an integral part of the company's sustainable business strategy. For the Group, this involves more than just obeying laws and regulations. The Mercedes-Benz Group also aligns all its actions with shared principles, which in particular include fairness, responsibility, respect, openness and transparency.

#### Integrity in daily business activities

At the Mercedes-Benz Group, integrity, compliance and legal affairs are combined into a single Board of Management division. The Integrity and Legal Affairs division supports all corporate units in their efforts to embed these topics in daily business activities.

The Integrity Management & Corporate Responsibility unit works to promote and enhance integrity within the Mercedes-Benz Group and create a shared understanding of integrity. The goal is to avoid possible risks that can arise due to unethical behaviour and thus to contribute to the company's long-term success. The Head of Integrity Management & Corporate Responsibility reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs.

#### Corporate principles and the Integrity Code

The Mercedes-Benz Group encourages and enables its employees to consistently uphold its corporate principles. The Integrity Code, which is valid throughout the Group, provides them with guidance because it serves as the shared standard of values, defines the guidelines for all conduct and helps the company make the right decisions.

The Integrity Code is binding on all employees of the Mercedes-Benz Group and the Group companies. Employees from a variety of units all over the world helped to formulate the Integrity Code. It is available in ten languages and includes, among other things, regulations concerning corruption prevention measures, upholding human rights, data management and compliance with technical product requirements. Employees can view the Integrity Code on the employee portal, along with details on how it should be applied and other key information such as FAQs, points of contact and contact persons.

The Mercedes-Benz Group has also formulated a special set of requirements for managers in the Integrity Code. In particular, it expects managers to serve as role models through their ethical behaviour and thus offer guidance for employees.

During the reporting year, the Group revised the content of the Code of Conduct to include topics such as animal welfare issues. The revised Code of Conduct was communicated to employees in early 2023.

### Information, dialogue and training

The Mercedes-Benz Group established its Infopoint Integrity in 2015 in order to promote a culture of integrity at the company. Infopoint Integrity is the central point of contact for questions concerning ethical behaviour. Infopoint Integrity works together with specialists including experts in the fields of legal and HR issues, data protection, compliance, diversity and sustainability. It either provides direct support or connects employees with the appropriate contact partners.

During the reporting year, the Mercedes-Benz Group restructured cooperation and activities in the Integrity Network. The Integrity Network is made up of representatives from the business units and serves as a shared communication platform, with the aim of embedding integrity in everyday business life. The focus in 2022 was on establishing this realignment. The Integrity Management controls the Integrity Network and provides the representatives with content, tools and dialogue formats as needed.

Employees can also access the Integrity Toolkit via the employee portal. The Toolkit contains formats for dialogue events, tools for self-reflection, case studies and further information about the topic of integrity.

The Group sets great particular emphasis on direct discussions, and once again conducted a variety of dialogue events with employees at all levels of the hierarchy and with external stakeholders. These dialogue events were conducted virtually because of the protective measures in force due to the Covid-19 pandemic.

In addition, the employees in administrative areas at Mercedes-Benz Group AG and Group companies regularly complete a mandatory web-based training course about integrity that is based on the Integrity Code. Because managers serve as role models, they perform an especially important task with regard to compliance, integrity, legal matters and sustainability. In order to help them as much as possible to carry out this role, the training programme also includes a special mandatory management module.

### Employee survey

The results of the 2021 employee survey on Integrity & Compliance have been incorporated into various follow-up measures. The managers of the Mercedes-Benz Group are responsible for the implementation. To support them in their task, the Integrity Management & Corporate Responsibility unit offered webinars in the reporting year. These webinars presented the results of the survey, provided more detailed explanations and featured tools for possible follow-up activities. The culture of integrity within the Mercedes-Benz Group is to be reassessed in 2023.

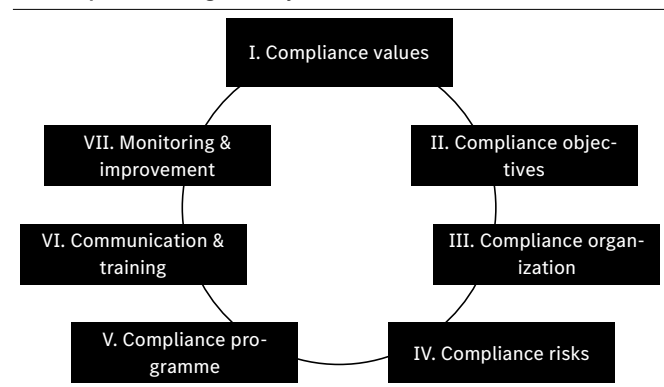
### Value-based compliance management

Value-based compliance is an indispensable part of the Mercedes-Benz Group's daily business activities and is firmly embedded in its corporate culture. The company is strongly committed to responsible conduct. It expects its employees to comply with laws, regulations and voluntary self-commitments. The Mercedes-Benz Group has also laid down these expectations in a binding form in its Integrity Code.

Through its Compliance Management System (CMS), the Mercedes-Benz Group aims to promote compliance with laws and policies at the company. The necessary measures are defined by the compliance and legal organizations in a process that also takes the company's business requirements into account in an appropriate manner.

## B.36

### The Compliance Management System



## Focal points of the Compliance Management System

**Combating corruption.** The Mercedes-Benz Group has committed itself to fighting corruption — because corruption undermines fair competition and thereby harms it and society. The Mercedes-Benz Group's corruption prevention measures extend beyond compliance with national laws and also encompass the guidelines from the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003).

The Corruption Prevention Compliance Programme at the Mercedes-Benz Group is based on the Group-wide Content Management System (CMS). In order to ensure an independent external assessment of the Corruption Prevention Compliance Programme, the Mercedes-Benz Group AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the Compliance Management System for corruption prevention in accordance with Standard 980 of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed at the end of 2019.

**Promoting fair competition.** The Group-wide Antitrust Compliance Programme is oriented to national and international standards for ensuring fair competition. The programme establishes a binding, globally valid company standard that defines how matters of antitrust law are to be assessed. By means of an advisory hotline, guidelines and practical support, Mercedes-Benz Group AG helps its employees around the world to recognize situations that might be critical from an antitrust perspective and to act in compliance with all regulations.

Responsibility for designing and implementing measures for addressing possible antitrust risks lies primarily with the respective Group company's management. The Mercedes-Benz Group monitors the management activities of the respective company within the framework of Group management. To supplement this, the Compliance, Legal Product & Technology and Corporate Audit units conduct monitoring activities at the company's divisions.

In order to ensure an independent external assessment of the Antitrust Compliance Programme, Mercedes-Benz Group AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the Compliance Management System for antitrust law in accordance with Standard 980 of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed for the second time at the end of 2021, after having also been conducted in 2016.

## Compliance with technical and regulatory requirements

For Mercedes-Benz Cars and Mercedes-Benz Vans, technical compliance means adhering to technology-related laws, regulatory requirements and standards. The objective here is to identify risks within the product creation process (product development and certification) at an early stage and to implement preventive measures. For this purpose, the Group has established a technical Compliance Management System (tCMS) in its automotive divisions. The Mercedes-Benz Group's objective is to ensure that Mercedes-Benz Cars and Mercedes-Benz Vans comply with all legal and regulatory requirements throughout the entire product development and certification process. The tCMS defines values, principles, structures and processes in order to provide employees with guidance and orientation, especially with regard to challenging questions on how to interpret technical regulations.

The "Speak up" and "Judgement calls" commitment statements jointly formulated by the integrity management team and the development units provide all employees in the development and certification units with a basis for a common understanding of responsible behaviour in the product creation process and are firmly embedded within the respective organizations by means of additional measures within the units.

In order to ensure an independent external assessment of the tCMS, Mercedes-Benz Group AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft to audit the tCMS with a focus on relevance to emissions in accordance with Standard 980 of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was successfully completed at the end of 2020.



legal affairs departments. It meets regularly and as needed, and is chaired by the Chief Compliance Officer and Vice President Legal Product & Technology.

The Chief Compliance Officer and Vice President Legal Product & Technology reports directly to the member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. He also reports regularly to the Board of Management of Mercedes-Benz Group AG at regular intervals and as needed on matters such as the status of the CMS and its further development, as well as the BPO whistleblower system.

In addition, the Chief Compliance Officer and Vice President Legal Product & Technology reports to the Group Risk Management Committee. From the Mercedes-Benz Group's perspective, the structure of the reporting lines safeguards the compliance officers' independence from the business divisions.

### **Compliance risks**

The Mercedes-Benz Group examines and evaluates its companies and corporate departments systematically each year in order to reduce compliance risks. In this process, the Mercedes-Benz Group uses, for example, centrally available information about its companies, such as revenue, business models and relations with business partners. If necessary, other locally sourced information is supplemented. The results of these analyses are the foundation of the Group's compliance risk control.

### **Compliance programme**

The compliance programme comprises principles and measures that are designed to reduce compliance risks and prevent violations of laws and regulations. The individual measures are based on the knowledge gained through the Group's systematic compliance risk analysis. The Mercedes-Benz Group focuses, among other things, on the following aspects: the continuous raising of awareness of compliance issues, the systematic tracking of information received regarding misconduct, and the formulation of clear standards for the behaviour of business partners. All of these points are addressed in greater detail in a later section.

### **The BPO whistleblower system**

The Business Practices Office (BPO) whistleblower system enables all employees worldwide, as well as business partners and third parties, to report violations of the rules. The BPO is available around the clock to receive information, which can be sent by e-mail or normal mail or by filling out a special online form. External toll-free hotlines are also available in Brazil, Japan, South Africa and the United States. Reports can also be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to an external neutral intermediary in addition to the BPO.

The information provided to the BPO whistleblower system enables the Mercedes-Benz Group to learn about potential risks and thus to prevent damage to the Group and its employees and business partners, as well as to protect individuals who might be harmed by misconduct. A globally valid corporate policy defines BPO procedures and the corresponding responsibilities. This policy aims to ensure a fair and transparent process that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. It also defines a standard for the Mercedes-Benz Group's evaluation of incidents of misconduct and decisions about their consequences.

If the initial risk-based assessment of an incident categorizes it as a low-risk rule violation for the Mercedes-Benz Group, the BPO hands the case over to the responsible unit — for example, the HR department, Corporate Security or Corporate Data Protection. The respective unit investigates the incident and deals with the case on its own authority. Examples of rule violations with a low risk include theft, breach of trust, and undue enrichment valued at less than €100,000 — if the violation does not fall into the category of corruption.

If the BPO's risk-based initial assessment categorizes an incident as a rule violation with a high risk for the Mercedes-Benz Group or for individuals affected by the violation, the BPO hands the case over to an investigation unit. The BPO provides support for the subsequent investigation until the case is closed. Examples of high-risk rule violations include offences related to corruption, breaches of antitrust law and violations of anti-money laundering regulations, as well as infringements of binding technical provisions or environmental protection



regulations. Personal matters, such as incidents of sexual harassment or human rights violations, are also considered high-risk rule violations.

In an effort to constantly increase trust in the BPO whistleblower system and make it even better known to employees, the Mercedes-Benz Group uses a variety of communication measures. Here, the company also takes into account the knowledge gained from the most recent employee survey. The Group provides informational materials such as country-specific information cards, pocket guides and an instructional video that is available in ten different languages. The Mercedes-Benz Group also holds dialogue events at which it provides employees with information about the BPO. In addition, the company regularly informs employees about the type and number of reported violations and makes case studies available on a quarterly basis.

### **Sales partners and suppliers**

The Mercedes-Benz Group expects not only its employees to comply with laws and regulations. The Group also requires its sales partners and suppliers to adhere to clear compliance requirements, because it regards integrity and conformity with regulations as a precondition for trust-based cooperation. The Business Partner Standards describe in detail exactly what the Mercedes-Benz Group expects of its business partners.

In the selection of direct sales partners and in existing sales partnerships, the Group ensures that its business partners comply with laws and observe ethical principles. In order to monitor this, the Mercedes-Benz Group uses a globally standardized, risk-based Sales Business Partner Due Diligence Process. During the reporting year, the Group subjected all of the new sales partners to a due diligence audit. In addition, it audits the existing sales partners as part of the monitoring process. Monitoring in this area is designed to ensure that the company can identify possible integrity violations by its sales partners. The Mercedes-Benz Group also reserves the right to terminate cooperation with, or terminate the selection process for, any sales partner who fails to comply with the Group's standards. In addition, the Mercedes-Benz Group works with its procurement units to continuously improve processes for selecting and cooperating with suppliers.

The Mercedes-Benz Group's Responsible Sourcing Standards replaced the Supplier Sustainability Standards in the reporting year and therefore now apply to the suppliers. On the basis of these standards and the Integrity Code, the Mercedes-Benz Group makes a Compliance Awareness Module available to each of its suppliers and sales partners. These modules are intended to sensitize them to current integrity and compliance requirements such as those related to anti-corruption measures and technical compliance. Through these measures, the Mercedes-Benz Group also offers its suppliers and sales partners assistance for dealing with possible compliance risks.

### **Communication and training**

Mercedes-Benz Group offers an extensive range of compliance training courses that are based on its Integrity Code — for example, courses for employees in administrative areas and for members of the Supervisory Board and the executive management of Group companies.

The contents and topics of the training courses are tailored to the roles and functions of the respective target group. Mercedes-Benz Group AG regularly analyses the need for its training programme, expands or adapts it as necessary and conducts evaluations.

### **Effectiveness**

Each year, the Mercedes-Benz Group checks the processes and measures of the CMS and conducts analyses to find out whether the measures are appropriate and effective. For these activities, the Mercedes-Benz Group relies on information about the Group companies as well as additional locally gathered information. The Group also monitors their processes regularly on the basis of key performance indicators such as the duration and quality of individual processes. To determine these indicators, the Mercedes-Benz Group checks, among other things, whether formal requirements are being met and whether the content is complete. It also takes into account the knowledge gained through both internal and independent external assessments.

If changed risks or new legal requirements call for adjustments, the Mercedes-Benz Group adapts the CMS accordingly. The Group companies implement the improvement measures derived from this process. The companies also regularly monitor these measures to determine their effectiveness and inform the responsible management committees about the results of their monitoring process.

On the basis of the descriptions contained in the delegated act relating to climate change mitigation, the following taxonomy-eligible economic activities have been identified for the Group:

- Economic activity 3.3: encompasses manufacture of low-carbon transport technologies in connection with the production of cars and vans
- Economic activity 6.5: encompasses leasing and financing of low-carbon cars and vans
- Economic activity 6.6: encompasses leasing and financing of low-carbon trucks

In a final Interpretation Document that the European Commission published on 6 October 2022, the Commission stated that the term “low-carbon” only relates to the assessment of taxonomy alignment within the framework of the technical screening criteria and is not relevant for reporting on taxonomy eligibility. With regard to automakers in particular and as an example, the document shows that the activity “manufacture of low-carbon vehicles” also includes vehicles with combustion engines. For the Mercedes-Benz Group, this clarification by the European Commission means that the manufacture of all Group vehicles is reported as taxonomy-eligible.

Economic activity 6.5 relates to leasing and sales financing of all vehicles purchased from third parties.

Economic activity 6.6 mainly comprises the continuing Daimler Truck portfolio at Mercedes-Benz Mobility.

Economic activities in certain energy sectors as specified in the complementary delegated act to climate objectives exist at Mercedes-Benz Group only to an immaterial extent and exclusively serve the operation of economic activity 3.3.

## **Taxonomy alignment**

In a further step, taxonomy alignment must be assessed for taxonomy-eligible economic activities. Only taxonomy-eligible activities can be considered as environmentally sustainable activities, or as being taxonomy-aligned, provided they meet certain technical screening criteria. Here, the fulfilment of certain technical screening criteria with regard to the relevant economic activities must make a substantial contribution to an environmental objective defined by the taxonomy regulation and, on the basis of defined “do no significant harm” criteria (DNSH criteria), also exclude the possibility of significant interference with another environmental objective. It must also be ensured that minimum standards are met with regard to issues such as upholding human rights or combating corruption (minimum safeguards).

### **Fulfilment of a substantial contribution to the climate change mitigation environmental objective**

According to the delegated act, all vehicles complying with the limit value of 50g CO<sub>2</sub>/km per vehicle (in accordance with the WLTP) as defined in the technical screening criteria make a substantial contribution to the climate change mitigation environmental objective. At Mercedes-Benz Group all-electric vehicles as well as the majority of plug-in hybrid vehicles are below this threshold. These vehicles are hereafter referred to as “low-carbon vehicles”.

### **Exclusion of the possibility of significant interference on the basis of the “do no significant harm” criteria**

Compliance with DNSH criteria is used in a second step to demonstrate that the economic activities in question do not significantly interfere with other environmental objectives.

In connection with economic activity 3.3, the fulfilment of these criteria was basically assessed at the level of those consolidated production sites where low-carbon vehicles or associated components are currently being manufactured or will be manufactured in the future.

In connection with economic activity 6.5, the analysis of the criteria has to be performed on the basis of the respective low-carbon vehicles.

highest fuel efficiency classes and the highest external rolling noise class were analyzed without considering EPREL data. On this basis, the entire vehicle portfolio of all-electric vehicles without differentiating between economic activities and therefore without differentiating between sales and leasing vehicles has been analysed and assessed. Thus a proportionate share of passenger cars with the respective highest tyre classes has been determined.

**Protection and restoration of biodiversity and ecosystems.** To demonstrate the requirements for economic activity 3.3 with regard to the environmental objective of biodiversity and ecosystems, ecologically sensitive or protected areas in the neighbourhood are documented and taken into account as part of the internal environmental risk assessments. Furthermore, examination of the surrounding areas is part of the location planning process.

#### **Fulfilment of minimum safeguards**

An economic activity can only be classified as environmentally sustainable within the meaning of the taxonomy if it is also conducted in accordance with certain minimum standards that are based on international frameworks. Here, Article 18 of the taxonomy regulation references the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights (including the basic principles and rights from the eight core conventions defined in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work), and the International Bill of Human Rights. The taxonomy regulation itself does not further specify the standards.

The report published by the Platform on Sustainable Finance in October 2022 (Final Report on Minimum Safeguards) assists companies with the interpretation of the scope and application of the minimum standards. This report forms the foundation for the application of minimum standards and the associated reporting at Mercedes-Benz Group. Key issue areas here are human rights and labour rights (see the chapter Social compliance, p. 115 and the chapter Occupational health and safety, p. 101), the prevention of corruption and the promotion of fair competition (see the chapters Compliance management system, p. 110 Combating corruption, p. 111 and Promoting fair competition, p. 111), and responsible tax practices (see the chapter Tax obligation, p. 88). The verification of compliance here basically involves

demonstrating the existence of suitable due diligence processes on group level and the fact that no judicial rulings in the final instance have been made due to serious violations in the aforementioned areas.

#### **Reporting on the taxonomy-aligned proportions of environmentally sustainable economic activities**

The sections below present information on the proportion of revenue, capital expenditure and operating expenditure accounted for by environmentally sustainable economic activities at the Mercedes-Benz Group.

The individual figures for revenue, capital expenditure and operating expenditure are precisely allocated to a specific economic activity and environmental objective. This prevents double counting.

The calculations for the key figures are based on the Consolidated Financial Statements in accordance with IFRS. Due to an exemption granted by the EU, only the proportions of taxonomy-eligible economic activities were obliged to be reported in the previous year. The provision of comparative information is not yet legally required in the reporting year.

prohibits corruption in any form whatsoever. The policy has binding effect for all companies and employees of the Mercedes-Benz Group worldwide. It is available on the internet at [group.mercedes-benz.com/compliance/integrity-code](https://group.mercedes-benz.com/compliance/integrity-code).

In addition, the company agreed on the Principles of Social Responsibility with the International Works Council. They are applicable at Mercedes-Benz Group AG as well as throughout the entire Group. In this agreement, the Mercedes-Benz Group commits to the principles of the UN Global Compact, including the internationally recognized human and labour rights regulated therein, freedom of association, sustainable environmental protection and the prohibition of child and forced labour. In addition, the company is committed to upholding equal opportunities and the principle of “equal pay for work of equal value” for employees.

### **Expectations regarding business partners**

The Mercedes-Benz Group also formulates clear requirements for its business partners, because conduct with integrity and in compliance with the rules is a prerequisite for any trust-based cooperative venture. Therefore, when selecting its direct business partners, the Company makes sure that they comply with the law, follow ethical principles, and in this sense also have an impact on the supply chain. For the Mercedes-Benz Group's expectations of its business partners, please also see [group.mercedes-benz.com/company/compliance/business-partners.html](https://group.mercedes-benz.com/company/compliance/business-partners.html).

### **Advisory Board for Integrity and Sustainability**

The Mercedes-Benz Group established an Advisory Board for Integrity and Sustainability. The board's members are independent external experts in the fields of environmental and social policy, transport and mobility development, and human rights and ethics and provide the Mercedes-Benz Group with constructive and critical support with issues relating to integrity, sustainability and corporate responsibility. The Advisory Board meets several times a year under the direction of the member of the Board of Management responsible for Integrity and Legal Affairs. One of these annual meetings specifically serves to exchange information with other members of the Board of Management and members of the Supervisory Board. A regular exchange of information and opinions between the Advisory Board and company managers and employees takes place in other meetings devoted to specific topics. Two working groups were established in the reporting year in order to strengthen this dialogue. Their goal is to promote more extensive discussions on the topics of “Integrity and employees” and “Climate protection and resource conservation”. In 2022, the Advisory Board also addressed the new Corporate Citizenship Strategy, the role the Mercedes-Benz Group plays in society and the impact the geopolitical situation is having on the company.

### **Internal control, risk and compliance management systems within the Group**

The Mercedes-Benz Group has appropriate and effective internal control, risk and compliance management systems in place that are commensurate with the size and global presence of the company, the scope of its business operations, and its risk situation, and are geared towards the continuous and systematic management of entrepreneurial risks and opportunities. These systems also take risks and opportunities associated with social and environmental factors into account. In identifying sustainability-related risks and opportunities, Mercedes-Benz Group AG is guided by the topics identified by the materiality analysis and thus includes the areas of action of the sustainable business strategy, for which concrete goals have been assigned. Sustainability-related data are systematically recorded and social and environmental impacts of the company's activities are identified and assessed as part of thematic risk assessments, for example in life cycle assessments along the entire life cycle of vehicles or in the Human Rights Respect System.

The risk management system is part of the overall planning, control and reporting process. This is to ensure that the executive management recognizes significant risks at an early stage and can initiate countermeasures in a timely fashion. Internal Audit monitors compliance with legal framework conditions and corporate standards by means of targeted audits and initiates appropriate measures where necessary. Further information on risk management can be found in the Risk and Opportunity Report in the 2022 Annual Report.

In addition to the accounting-related internal control system, the internal control system also includes in particular the Compliance Management System as well as an independent assessment of the structure and processes of the internal control system by Internal Auditing. Further explanations of the internal control system are available in the Risk and Opportunity Report in the Combined Management Report 2022.

The aim of the Compliance Management System (CMS) is to promote compliance with legislation and policies within the company and among its employees, to prevent misconduct and to systematically minimize compliance risks on the basis of the culture of integrity. Detailed information on the Mercedes-Benz Compliance Management System can be found in the Non-Financial Declaration chapter of the 2022 Annual Report.

At least once a year, the Audit Committee of the Supervisory Board of Mercedes-Benz Group AG discusses the effectiveness and functionality of the internal control and risk management system, the internal auditing system, and the Compliance Management System with the Board of Management. In each case, these systems and processes or similar ones are also examined with regard to the sustainability risks and opportunities they address, taking into account the areas of action of the sustainable business strategy as well as the ecological and social impact of the business activities conducted by Mercedes-Benz Group AG and the Group. The chairman of the Audit Committee shall report back to the Supervisory Board about the work of the committee at the latest at the next meeting of the Supervisory Board. The Supervisory Board also deals with the risk management system on the occasion of the audit of the company and Consolidated Financial Statements. The Chairman of the Supervisory Board maintains contact with the Board of Management between meetings of the Supervisory Board, in particular with the Chairman of the Board of Management, in order to discuss issues of risk management and compliance, in addition to the strategy and business development of the Group. In addition, the Board of Management regularly informs the Audit Committee and the Supervisory Board about significant risks to the Company and the Group. The Legal Affairs Committee of the Supervisory Board supports the Supervisory Board in the performance of its duties with regard to the complex emissions and antitrust-related proceedings with which Mercedes-Benz Group AG and its subsidiaries are confronted.

## Composition and working method of the Board of Management

Under the German Stock Corporation Act (AktG), Mercedes-Benz Group AG has a dual management system that provides for a strict personnel and functional separation between the Board of Management as the management body and the Supervisory Board as the supervisory body (two-tier board). The Board of Management manages the Company, whilst the Supervisory Board supervises and advises the Board of Management.

### Board of Management

In accordance with the articles of association of Mercedes-Benz Group AG, the Board of Management consists of at least two members. The Supervisory Board shall determine the exact number. As of 31 December 2022, the Board of Management consisted of eight members. In December 2020, the Supervisory Board set a target for the proportion of women on the Board of Management in accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions and a deadline for achieving this target. In August 2021, the German Second Leadership Positions Act (FüPoG II) came into force. According to the said Act, at least one woman and at least one man must be a member of the Board of Management in listed companies with parity participation and more than three members on the Board of Management. Compliance with this minimum participation requirement when appointing individual or multiple members of the Board of Management has been mandatory since 1 August 2022. Companies that are subject to the minimum proportion requirement no longer have to set a target quota for the proportion of women on the board of management. Nevertheless, the Supervisory Board has decided that the target quota for 2020 should remain in place as one aspect of the overall profile of requirements for appointments to the Board of Management.

Details on the overall profile of requirements and the participation of women on the Board of Management are presented in separate sections in this Declaration on Corporate Governance.

Without prejudice to the overall responsibility of the Board of Management, the individual members of the Board of Management shall manage their departments on their own responsibility within the framework of the guidelines adopted by the Board of Management as a whole. Certain matters defined by the Board of Management as a whole shall nevertheless be dealt with by the Board of Management as a whole and shall require its approval. In addition, each member of the Board of Management has the right to demand that any matter he or she deems important be discussed by the Board of Management as a whole or that a decision be made on that matter by the Board as a whole. The work of the Board of Management is coordinated by the chairman of the Board of Management. There were no committees of the Board of Management during the reporting period.

Information in terms of the areas of responsibility and the curricula vitae of the members of the Board of Management is available on the website of Mercedes-Benz Group AG at [group.mercedes-benz.com/company/corporate-governance/board-of-management](https://group.mercedes-benz.com/company/corporate-governance/board-of-management).

The Board of Management manages Mercedes-Benz Group AG and the Group, in consideration of the interests of the shareholders, the employees and the other stakeholders, with the goal of sustainable added value. With the approval of the Supervisory Board, it determines the strategic orientation of the Company, which also takes into account long-term financial targets and environmental and social targets and objectives. The use of this approach has led to the definition of the strategic areas of action climate protection and air quality, resource conservation, sustainable urban mobility, traffic safety, data responsibility and human rights as integral components of the sustainable business strategy. Along with financial targets, the corporate planning decided on by the Board of Management with the approval of the Supervisory Board also includes corresponding sustainability-related targets.

The internal control and risk management systems established by the Board of Management, which are appropriate and effective in relation to the scope of the Company's business operations and its risk situation, also address sustainability-related targets. Further information on sustainability can be found on the Company's website at [group.mercedes-benz.com/sustainability](https://group.mercedes-benz.com/sustainability).



The Board of Management ensures compliance with statutory provisions, official regulations, and internal policies within the Company, and works to ensure that they are also observed by the Group companies (compliance). It has established a comprehensive Compliance Management System geared to the risk situation of the Company, the basic features of which are presented in the Non-Financial Declaration chapter of the 2022 Annual Report. The components of the Compliance Management System include the BPO (Business Practices Office) whistleblowing system, which gives employees and external whistleblowers worldwide the opportunity to report violations of the rules.

The Board of Management compiles the interim financial reports of the Company, the Annual Financial Statements of Mercedes-Benz Group AG, the Consolidated Financial Statements and the Combined Management Report with Non-Financial Declaration of the Company and the Group. Together with the Supervisory Board, it prepares the Remuneration report and issues an annual Declaration of Compliance with the German Corporate Governance Code.

The Board of Management and the Supervisory Board work to ensure the well-being of the Company in a relationship based on trust. The Board of Management informs the Supervisory Board regularly, comprehensively and in a timely manner about all strategic issues of relevance to the Company as a whole, including issues relating to the sustainability strategy, planning, profitability, business development, the situation of the Company, the internal control system, the risk management system and compliance. The Supervisory Board has defined the information and reporting duties of the Board of Management in more detail.

For certain types of transactions defined by the Supervisory Board, the Board of Management requires the prior approval of the Supervisory Board.

Each member of the Board of Management is bound to serve the interests of the Company and is subject to a non-competition clause throughout the entire term of their contract. When making decisions, they may not pursue personal interests and they may not exploit the Company's business opportunities for their own benefit. Members of the Board of Management must disclose without delay to the Chairman of the Supervisory Board and the Chairman of the Board of Management any

personal interest they may have in a particular business activity conducted by the Company, as well as any and all other conflicts of interest, and they must also report such information to all other members of the Board of Management.

Members of the Board of Management may only perform ancillary activities if these are approved by the Supervisory Board's Presidential Committee.

The Board of Management has adopted rules of procedure, available on the website of the Company at [group.mercedes-benz.com/company/corporate-governance](https://group.mercedes-benz.com/company/corporate-governance), which among other things govern the procedure to be followed when adopting resolutions and contain provisions designed to avoid conflicts of interest.

### **Diversity and equal opportunities**

Diversity management has been part of the corporate strategy since 2005. The Mercedes-Benz Group relies on the diversity and variety of its employees because they form the basis of an efficient and successful company. Our diversity and inclusion activities aim to bring together the right people to meet challenges, to create a working culture that promotes the performance, motivation and satisfaction of employees and managers, and to contribute to the development of new target groups for our products and services. Through appropriate framework conditions and specific measures — from training formats for employees and managers, workshops, conferences and policies to target group-specific awareness-raising and communication measures — diversity and inclusion management thus contributes significantly to the further development of the corporate culture at the Mercedes-Benz Group.

The targeted promotion of women had already been a central focus of attention in diversity management before the German Act on the Equal Participation of Women and Men in Leadership Positions came into force. In compliance with the statutory requirements, the Board of Management of Mercedes-Benz Group AG has set targets for the proportion of women at the two management levels of the Mercedes-Benz Group AG below the Board of Management and a deadline for attaining these targets. The specific details are presented in a separate section of this Declaration on Corporate Governance. Independently of the statutory requirements, the Company had already set itself the goal in 2006 of increasing the proportion of women in senior management positions within the Group

to at least 20% by 2020. This goal was achieved, and during the reporting period the Company set itself the new goal of appointing women to fill at least 30% of its senior management positions by 2030. As of 31 December 2022, the proportion of women in senior management positions at the Mercedes-Benz Group worldwide was 24.7% (active workforce without holiday workers).

## Composition and working method of the Supervisory Board and its committees

### Supervisory Board

In accordance with the German Co-Determination Act (MitbestG), the Supervisory Board of Mercedes-Benz Group AG consists of 20 members. Half of them are elected by the shareholders at the Annual General Meeting and half by the employees of the German companies of the Group. Shareholder representatives and employee representatives are by law equally bound to serve the interests of the Company.

Curricula vitae of the individual members of the Supervisory Board and their other mandates are published on the Internet at [group.mercedes-benz.com/company/corporate-governance/supervisory-board](https://group.mercedes-benz.com/company/corporate-governance/supervisory-board). This information is also updated every year.

The Supervisory Board shall be composed in such manner that its members as a whole are familiar with the industry in which the Company operates and have the knowledge, skills, and professional experience necessary for the proper performance of their duties. According to the German Act on the Equal Participation of Women and Men in Leadership Positions, the Supervisory Board of Mercedes-Benz Group AG must be composed of at least 30% women and at least 30% men. The specific details are presented in a separate section of this Declaration on Corporate Governance.

In addition, the Supervisory Board has developed an overall profile of requirements for its own composition, which includes a competence profile and a diversity concept for the Board as a whole, including an age limit. The specific details of the overall profile of requirements are also summarized in a separate section of this Declaration on Corporate Governance. The proposals of the Supervisory Board for the election of shareholder representatives by the Annual General Meeting, for which the Nomination Committee submits recommendations, aim to fulfil the overall profile of requirements for the Supervisory Board as a whole.

The members of the Supervisory Board assume responsibility for the training and further education measures required for their tasks, e.g. on topics relating to changes in the legal framework and forward-looking technologies, and are supported in this by the Company. New members of the Supervisory Board have the opportunity to meet the members of the Board of Management and senior executives with specialist responsibility in an onboarding programme for a bilateral exchange on fundamental and current topics in respect of the relevant areas of the Board of Management, thus gaining an overview of the relevant topics of the Group as well as the governance structure. The key components of this programme include ESG (environmental, social, governance) and sustainability-related thematic blocks.

The Supervisory Board supervises and advises the Board of Management in the management of the business. At regular intervals, the Supervisory Board discusses business development, the situation of the Company, and planning and strategy, including the sustainability strategy and its implementation. The Supervisory Board also reviews and discusses the internal control and risk management systems and monitors compliance with statutory provisions, official regulations and internal policies within the Company.

The Supervisory Board has also specified in more detail the information and reporting duties of the Board of Management vis-à-vis the Supervisory Board, the Audit Committee and — between meetings of the Supervisory Board — vis-à-vis the Chairman of the Supervisory Board. The Supervisory Board has reserved the right of approval for transactions of fundamental importance.



The Supervisory Board's monitoring and advisory activities relate in particular to sustainability issues associated with the ESG dimensions (environmental, social and governance factors). At regular intervals, the Supervisory Board obtains reports from the Board of Management on the status of implementation of the integrated sustainable corporate strategy and also examines the risks and opportunities for the Company that result from social and environmental factors and, increasingly, the ecological and social effects of the Company's business activities. The Supervisory Board also addresses sustainability reporting in the form of the Non-Financial Declaration in the Combined Management Report.

The duties of the Supervisory Board include the appointment and, if necessary, the dismissal of the members of the Board of Management. Initial appointments have generally been made in the past, and since 2021 have always been made, for a maximum of three years.

With regard to the composition of the Board of Management, the Supervisory Board observes the statutory requirements for the equal participation of women and men. The specific details are presented in a separate section of this Declaration on Corporate Governance. Furthermore, with regard to the composition of the Board of Management, the Supervisory Board adopted a diversity concept embedded in an overall profile of requirements. Its specific details are also summarized in a separate section of this Declaration on Corporate Governance.

On the basis of a proposal issued by the Presidential Committee, the Supervisory Board determines the system of remuneration for the Board of Management and on the basis of this system also determines the total individual remuneration of the individual members of the Board of Management. It also defines the targets for variable remuneration components, including non-financial and sustainability-oriented parameters. Furthermore, the Supervisory Board regularly reviews both the remuneration system and the total individual remuneration of the individual members of the Board of Management in order to ensure that these remain appropriate. The remuneration system for the members of the Board of Management, which was approved by a majority of 95.33% at the Annual General Meeting in 2020, can be viewed at [group.mercedes-benz.com/remuneration-bom](https://group.mercedes-benz.com/remuneration-bom). The Remuneration report that was prepared jointly by the Board of Management and the Supervisory Board

(including the opinion of the auditor pursuant to Section 162 of the German Stock Corporation Act) are also available there.

The Supervisory Board examines the Annual Financial Statements, the Consolidated Financial Statements with Non-Financial Declaration, and the Combined Management Report of the Company and the Group as well as the proposal for the appropriation of the distributable profits. After discussions with the auditor and in consideration of the audit opinions of the auditor and the audit results of the Audit Committee, the Supervisory Board shall declare whether any objections are to be raised after the final result of its own review. If this is not the case, the Supervisory Board approves the Annual Financial Statements and the Combined Management Report; the financial statements are deemed to have been adopted with the approval of the Supervisory Board. The Supervisory Board shall report to the Annual General Meeting on the results of its own review as well as on the nature and scope of the supervision of the Board of Management during the past financial year. The Report of the Supervisory Board on the 2022 financial year is available in the Annual Report and at [group.mercedes-benz.com/company/corporate-governance/supervisory-board](https://group.mercedes-benz.com/company/corporate-governance/supervisory-board).

The Supervisory Board has adopted Rules of Procedure that, in addition to its duties and responsibilities, specifically regulate the convening and preparation of its meetings as well as the procedure for the adoption of resolutions and contain provisions that are intended to avoid conflicts of interest. The Rules of Procedure of the Supervisory Board are available on the internet at [group.mercedes-benz.com/company/corporate-governance](https://group.mercedes-benz.com/company/corporate-governance).

For the meetings of the Supervisory Board during the reporting period, regular Executive Sessions were again scheduled in order to be able to discuss topics even in the absence of the Board of Management. Pursuant to the German Act on Strengthening Financial Market Integrity (FISG), which entered into force on 1 July 2021, the Board of Management does not participate in meetings of the Supervisory Board and its committees to which the auditor is called in as an expert, unless the Supervisory Board or the committee deems its participation necessary. Meetings of the Supervisory Board and its committees should as a rule take place in person. In justified exceptional cases the meetings can be held in the form of a video conference or a conference call or with the use

of other comparable means of telecommunication or individual members can participate in a meeting using such means. In view of the Covid-19 pandemic, which continued to be an issue during the reporting period, more extensive use of such remote formats had once again to be made in 2022.

Every member of the Supervisory Board must disclose any conflicts of interest they may have without delay to the Chairman of the Supervisory Board. Conflicts of interest and the manner in which they are dealt with are disclosed in the Report of the Supervisory Board.

The Supervisory Board regularly assesses how effectively the Supervisory Board and its committees perform their duties. The next self-assessment is scheduled to be conducted in 2023. Independently of the self-assessment of the Supervisory Board, the Audit Committee also carried out a self-evaluation of its activities again in 2022 on the basis of an extensive Company-specific questionnaire. The positive results of this self-assessment were presented and discussed at the Audit Committee meeting on 16 February 2023.

At 31 December 2022, in addition to the Mediation Committee to be established by law, there are four other committees of the Supervisory Board that perform the tasks assigned to them in the name of and on behalf of the Supervisory Board as a whole, to the extent permitted by law. The relevant committee chairpersons shall report on the work of the committees to the plenary meeting of the Supervisory Board at the latest at the next meeting of the Supervisory Board following the committee meeting. The Supervisory Board has adopted separate rules of procedure for all its committees. They are available on the internet at [group.mercedes-benz.com/company/corporate-governance](https://group.mercedes-benz.com/company/corporate-governance).

### **Presidential Committee**

The Presidential Committee consists of the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board, and two other members elected by the Supervisory Board. As of 31 December 2022, the Presidential Committee consisted of Dr Bernd Pischetsrieder (Chairman), Ergun Lümali (Deputy Chairman), Ben van Beurden and Roman Zitzelsberger.

The Presidential Committee makes recommendations to the Supervisory Board for the appointment of members to the Board of Management, in consideration of the

overall profile of requirements defined by the Supervisory Board with the diversity concept, including the requirements for the proportion of women on the Board of Management. It submits proposals to the Supervisory Board for the structure of the remuneration system for the Board of Management and for the appropriate individual total remuneration of the individual members of the Board of Management. The Presidential Committee is responsible for the contractual matters of the members of the Board of Management and decides on the granting of approval for ancillary activities of members of the Board of Management.

In addition, the Presidential Committee advises and decides on corporate governance issues, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy and prepares the meetings of the Supervisory Board within the scope of its responsibilities.

### **Nomination Committee**

The Nomination Committee consists of the Chairman of the Supervisory Board and two other members elected to the Supervisory Board by the shareholder representatives by a majority of the votes cast. As of 31 December 2022, they are Dr Bernd Pischetsrieder (Chairman of the Nomination Committee), Sari Baldauf and Ben van Beurden. The Nomination Committee is the only committee of the Supervisory Board composed exclusively of shareholder representatives. It makes recommendations to the Supervisory Board for proposals to the Annual General Meeting for the election of shareholder representatives on the Supervisory Board. In this respect, it takes the statutory requirements for the participation of women into account and strives to fulfil the overall profile of requirements for the Supervisory Board as a whole.

### **Audit Committee**

The Audit Committee consists of four members elected by the Supervisory Board by a majority of the votes cast. As of 31 December 2022, they are the shareholder representatives Olaf Koch (Chairman of the Audit Committee) and Timotheus Höttges as well as the employee representatives Michael Brecht (Deputy Chairman) and Ergun Lümali.

The members of the Audit Committee as a whole are very familiar with the industry in which the Company operates.