

DAIMLER

Position of the management on the countermotions for the Annual Meeting to be held on July 8, 2020

The automobile industry and mobility in general are undergoing fundamental technological change. The geopolitical conditions are volatile. The Covid-19 pandemic is further exacerbating the economic challenges. These are the conditions under which Daimler is shaping the transformation with innovative and sustainable products and living up to its social, economic, and ecological responsibility in this context, which is demanding in many ways. Supposedly simple solutions in no way do justice to the complexity of the overall situation of the Company. It is now a matter of delivering intelligent mobility solutions that are attractive to the customers and profitable for the Company. The Board of Management has made and initiated important decisions that set the course and taken measures in order to restructure the Group and equip it for the future. Both of these activities are fully supported and backed by the Supervisory Board.

The Board of Management and the Supervisory Board maintain their motions to the Annual Meeting and state their positions on the countermotions as follows:

Election to the Supervisory Board

Timotheus Höttges, who has been proposed for election by the Supervisory Board, is an extraordinarily experienced and successful executive. His expertise in the areas of digitalization, transformation, and finance along with his international market knowledge optimally complement the Supervisory Board of Daimler AG as a whole.

Dividend

The dividend is paid as an allocation of distributable profit for the respective previous financial year. The earnings of the previous financial year, the free cash flow of the industrial business, and the current business development form the basis for the proposal for the allocation of distributable profit at the Annual Meeting.

The Group net profit for the financial year 2019 amounted to €2.38 billion. The free cash flow of the industrial business amounted to approximately €1.4 billion.

Daimler has for years aimed in general to make an annual dividend payment of 40 percent of the Group net profit attributable to the Daimler shareholders. The dividend should be covered by the free cash flow in the industrial business. We aim in principle for a sustainable and stable development of the dividend.

Against this background, we propose to the Annual Meeting a dividend in the amount of €0.90 per share. This would represent a significantly reduced distribution compared to the previous year.

We are aware of the current discussion regarding the distribution of profits. The dividend proposal from the Board of Management and the Supervisory Board takes into account a careful consideration of the interests of all stakeholders, the current business

situation – in particular in view of the present COVID-19 situation – the liquidity of the Company, and the business outlook.

We will continue to maintain advance expenditure that serves to ensure our company's ability to meet future challenges. This includes in particular our clear commitment to CO₂-neutral mobility and the implementation of electric driving as a top priority.

Model policy and CO₂ emissions

Our current product range is the most successful portfolio in the history of our company. With our attractive models, Mercedes-Benz has been the strongest-selling premium brand in the world since the year 2016.

At the same time, the requirements of the customers and the markets are continually changing. That's why we continually review our products and our portfolio and adapt them to the changing requirements as necessary.

Our target is and remains emission-free mobility: our complete new passenger car fleet should be CO₂-neutral by the year 2039. We are using all possible ways to reduce emissions rapidly and sustainably. We are developing new and ever more efficient drive technologies. We have established an important milestone on our journey to emission-free mobility. We aim to achieve more than 50% of our passenger car sales with plug-in hybrid or all-electric vehicles as early as the year 2030.

The existing CO₂ emissions targets are undoubtedly ambitious. That's why it is even more important to bring our strongly growing range of attractive and highly efficient products – with the focus on electrification – to the market in order to best achieve these targets. By the end of 2020, a total of five all-electric models and more than 20 model variants of the plug-in hybrids will be part of Mercedes-Benz Cars' product portfolio.

The plug-in hybrid portfolio extends from model variants of the A-Class to the S-Class and from the GLA to the GLE with electric ranges of up to 100 kilometers. The EQ Power Models with plug-in hybrid drive combine the best of two worlds – the dynamism and efficiency of an electric motor with the range of a combustion engine. They can drive under purely electric power in urban traffic, be charged at home and at public charging stations, and offer the accustomed comfort of short refueling times on long journeys.

Our aim is to be CO₂-compliant in the European Union in the years 2020 and 2021.

In real-life driving operation, deviations from the certified standard values can occur. The deviations between laboratory and road emissions result primarily from changed conditions relative to the legally specified standard state in the laboratory. For example, when the vehicle is operated under different vehicle loads (e.g. higher speed, stronger acceleration), additional auxiliary consumers are switched on or other temperature conditions are prevalent.

For plug-in hybrid vehicles (PHEVs) too, the quoted consumptions are fundamentally based on the respectively valid certification regulations and are to be provided in the interests of transparency and comparability for customers.

In the case of PHEVs the individual fuel consumption is primarily dependent on charging and driving behavior. For example, with daily charging a driver of the current A-Class PHEV can already cover a commute of 50 kilometers exclusively electrically and thus drive without any local emissions.

It is, however, clear to us that customers, e.g. in cities, do not always have access to charging infrastructure and cannot charge their PHEV every day. This then leads to the need to use the built-in combustion engine more often and a corresponding increase in the consumption.

In order to support our PHEV customers in the best way possible, we are focusing on a number of measures. Firstly, we are working on the constant expansion of our charging products such as wallboxes and access to public charging stations. Secondly, we are extending the purely electric range of our vehicles in order to make frequent all-electric operation possible. Thirdly, we are working on digital products that enable the PHEV customers to transparently compare their consumption with other drivers and to improve individually.

Media costs

We observe the latest market developments from the viewpoint of Daimler AG and continually subject them to critical examination.

We commission an independent and renowned media auditor to carry out media audits in the international markets. In addition to the media auditing, a regular finance and compliance audit is also carried out.

The application by a shareholder to the Stuttgart District Court for the provision of allegedly unlawfully withheld or inaccurate information concerning media compliance audits and the associated cost management in the Annual Meeting 2019 was rejected in January 2020.

Formula 1 commitment

As part of our “Ambition 2039” strategy we are more closely aligning our motor sport activities with sustainability. Consequently we will reduce the CO₂ emissions of our Formula 1 activities in 2020 by means of a combination of CO₂ emissions reduction and CO₂ compensation according to the “Gold Standard” to “net zero.”

Formula 1 is not only part of our tradition. It also speeds us on our way to the future. For more than 100 years, motor sport has been an important testing ground for Mercedes-Benz and has been responsible for some of the most important technological breakthroughs in the brand’s history.

Our hybrid and electric technologies, for example, have gained valuable momentum from the hybrid power unit successfully used in Formula 1. This consists of a 1.6-liter V6 turbocharged engine with energy recuperation of both heat and kinetic energy. The chassis and the power unit already bear the designation EQ Performance, which will also be borne by the future Performance Hybrids from Mercedes-AMG.

Further examples of the technology transfer include lightweight engineering, simulation, aerodynamics, electric motors, battery technology, and the use of carbon-fiber composite materials.

Mercedes-Benz Grand Prix Ltd. — the Company that operates our Formula 1 team — is pursuing the goal of halving CO₂ emissions relative to 2018 to around 10,000 tons by 2022.

Formula 1 is also one of the largest marketing platforms worldwide. We use it successfully to demonstrate the competitiveness and the future technologies of Mercedes-Benz to hundreds of millions of people.

Sale of the Tesla shares

The decision to sell was taken in the year 2014 under careful consideration in the light of the then prevailing conditions. In view of the development of Tesla up to that point in time and in the prevailing capital market environment, the sale of our Tesla shares was financially attractive for us at the time. In addition, a pure holding of financial assets is not a strategic goal of Daimler AG. The proceeds from the sale of the Tesla holding were utilized to strengthen our core business. Therefore the decision to sell was consistent and correct at that point in time.

Project Future

We successfully launched our new corporate structure with the deconsolidation of the business divisions Mercedes-Benz Cars & Vans and Daimler Trucks & Buses with effect from November 1, 2019. The objectives of Project Future were to sharpen the market and customer focus, further strengthen our business activities, acquire innovation partners, and increase our appeal on the capital market. The resulting legally independent business units with their own decision-making bodies and greater entrepreneurial freedom have contributed to the strengthening of our business activities. Furthermore, we have consistently supported this process by disentangling cross-divisional structures in Germany and abroad and sharpened the focus on customers and markets. We are convinced that the new corporate structure will make it easier for us to cooperate with external partners and open up new potential for growth and profits in the interests of existing and future investors.

The shareholders of Daimler AG shared our assessment of the importance of Project Future, as they approved the project with a large majority of 99.75 of the votes cast at the Annual Meeting on May 22, 2019.

Independently of the success of Project Future, we will of course continue to keep the corporate organizational structure and the responsibilities of management for individual tasks permanently under review. Resulting changes in the tasks or the composition of management are to be seen in this light.

Remuneration of the Board of Management

The remuneration of the members of the Board of Management for the financial year 2019 corresponds to the remuneration system approved by the ordinary Annual Meeting 2019. This specifies both performance-related and non-performance-related components of remuneration. The development of profitability in financial year 2019 has had direct and demonstrable effects on the performance-related remuneration components.

The Board of Management remuneration system presented for approval under Agenda Item 6 of the Annual Meeting on July 8, 2020 provides for the implementation of the second shareholders' rights directive (ARUG II) and takes into account the recommendations of the new German Corporate Governance Code. The changes with respect to the previous remuneration system for the members of the Board of

Management mainly affect the annual bonus. The achievement of the financial target is now determined on the basis of the previously sole relevant parameter of the Daimler Group's operating result (EBIT) and the free cash flow of the industrial business, with equal weight given to both components. We thus take account of the special importance of this second component for the financial strength of the Daimler Group, in particular in the Company's transformation phase. The maximum target achievement is also reduced.

Supervisory and advisory activities of the Supervisory Board, chairmanship of the Annual Meeting

The Supervisory Board of Daimler AG fully performed its tasks as defined by the law, the Company's Articles of Incorporation, and its own rules of procedure once again in the financial year 2019. The Supervisory Board continually advised and supervised the Board of Management in the management of the Company and provided support regarding strategically important issues relating to the Group's further development.

In a regular Annual Meeting of Daimler AG with the shareholders and their proxies physically present, the Meeting Chairman is by virtue of his authority, as defined in the rules of procedure, entitled to appropriately limit the shareholders' question and speaking rights in terms of time. In particular, he is entitled to determine an appropriate period of time for the conduct of the entire Annual Meeting and to set time limits on the shareholders' statements and questions in order to be able to conclude the Annual Meeting within an appropriate period of time and to guarantee the equal treatment of the shareholders and the shareholders' representatives. It was necessary to make use of this option due to the large number of requests to speak at the Annual Meetings in the previous years. This practice is also widespread in other large Annual Meetings. This does not entail an infringement of the shareholders' right to information.

Exhaust emissions from diesel vehicles

Since 2018 the Federal Motor Transport Authority (KBA) has ordered various recalls in connection with diesel exhaust gas emissions. The Company implements all orders of the KBA. However, the Board of Management considers the orders of the KBA regarding diesel exhaust gas emissions legally incorrect and is also supported in this view by the opinions of external legal advisors.

For this reason, and in order to also achieve clarity for the future regarding the interpretation of relevant legal standards in a complex technical area, the Company has filed an objection to the notifications and will if necessary pursue clarification of contentious issues through the courts. Independently of the legal clarification of this matter, the Company will continue to cooperate fully with the authorities and create transparency.

Overall, Daimler is developing software updates for the fleet of Euro 6b and Euro 5 diesel vehicles in Europe. These updates improve the nitrogen oxide emissions of the vehicles on average under normal operating conditions. In this way, the Company is greatly helping to further improve air quality. The software updates are also the result of agreements between various manufacturers and the German federal government that were concluded in the course of the National Forum Diesel in August 2017. Daimler has in addition been carrying out obligatory recalls – during which software updates are

also applied – at the order of Germany’s Federal Motor Transport Authority (KBA) since 2018.

As is known, the Stuttgart district attorney’s office issued a fine notice for negligent violation of supervisory duties in the area of vehicle certification in connection with deviations from the regulatory requirements for specific Mercedes-Benz vehicles in September 2019.

According to this notice, the negligent violation of supervisory duties occurred at the department-head level.

It was in the best interests of the Company to promptly and fully conclude the fine proceedings of the Stuttgart district attorney’s office and thus to restore legal concord.

As presented in the Annual Report 2019, a multitude of lawsuits by customers alleging claims under warranty and/or tort laws in connection with diesel exhaust gas emissions are pending.

Customer satisfaction is very important to us, and we therefore take legal actions seriously. However, we also defend ourselves when unfounded claims are asserted against us.

A total of several thousand decisions by district courts and higher regional courts in Germany in connection with diesel vehicles have almost exclusively been in our favor. The courts have ruled in favor of the Company in more than 95 percent of cases.

The Supervisory Board has thoroughly investigated the diesel complex. The Supervisory Board has regularly received reports on the results of the Company’s internal investigations, the measures deemed necessary and taken by the Company, and the progress of the proceedings by the Board of Management, the responsible heads of the relevant Company functions, and advisors of the Board of Management.

The Board of Management has initiated a comprehensive investigation of these matters. The reappraisal is not yet concluded, due to the extremely complex nature of the matters and the fact that official proceedings are ongoing.

The Supervisory Board is monitoring the reappraisal of these events and has instructed a law firm which is closely following and analyzing the proceedings and will carry out its own investigations, if necessary, to provide advice.

The Supervisory Board is convinced that the measures taken by the Board of Management to clarify the facts of the case are purposeful and appropriate.

In accordance with its monitoring obligation under stock corporation law, the Supervisory Board continually reviews whether members of the Board of Management have fulfilled and are fulfilling their obligations. In this connection we refer to the Report of the Supervisory Board in our Annual Report 2019.

Against the backdrop of the complexity of the emissions and antitrust-related proceedings and with regard to the efficient organization of the Supervisory Board’s work, the Supervisory Board resolved in 2019 to establish a Supervisory Board Committee for Legal Affairs until further notice.

This committee coordinates the exercise of the rights and duties of the Supervisory Board with regard to the aforementioned legal issues, prepares the resolutions of the Supervisory Board, and makes appropriate recommendations for resolutions.

Tasks of the Supervisory Board in connection with antitrust matters

In line with its responsibilities, the Supervisory Board dealt in detail with the issues regarding the possible responsibility of members of the Board of Management and obtained expert advice from independent external legal experts. Furthermore, in view of the complex proceedings related to emissions regulations and antitrust law, and in order to ensure the efficient organization of Supervisory Board activities, a Legal Affairs Committee has been established that will continue to operate until further notice. The committee coordinates the exercise and performance of the rights and obligations of the Supervisory Board with regard to the aforementioned legal affairs, prepares the resolutions of the Supervisory Board, and makes appropriate recommendations for resolutions.

The Supervisory Board has again obtained an expert opinion from an independent legal expert, Prof. Dr. Mathias Habersack, who is a specialist in German stock corporation law. Prof. Dr. Habersack has updated his previous expert opinion, taking into account the developments that have occurred since the Annual Meeting 2019. A summary of the updated statement by Prof. Dr. Habersack that includes the results of his opinion is appended below. The expert investigation confirms that the Supervisory Board is fully complying with its obligations under stock corporation law.

Stuttgart, June 2020

Daimler AG

Attachment: Statement by Prof. Dr. Mathias Habersack

Statement

on the duties of the Supervisory Board
in connection with cartel matters,

prepared for the Supervisory Board of Daimler AG

The undersigned holds the Chair of Civil Law and Corporate Law at Ludwig-Maximilian University in Munich. On behalf of the Supervisory Board of Daimler AG, he has prepared legal opinions in 2017, 2018, 2019 and 2020 on the obligations of the Supervisory Board of Daimler AG in connection with the proceedings of the European Commission AT.39824 – Trucks (“Truck Cartel”) and other possible violations of antitrust law. The results of these legal opinions can be summarized as follows:

1. a) The Supervisory Board of Daimler AG (hereinafter also referred to as “the Company”) has examined, with the involvement of legal counsel and the undersigned, whether in connection with the European Commission’s antitrust proceedings AT.39824 – Trucks, the Company is entitled to claims for damages against current or former members of the Board of Management; it has thus fully complied with its monitoring duties in this respect to date.
- b) The Supervisory Board of Daimler AG has also complied in full with its duty to decide, in the interests of the Company and on the basis of information obtained from clarification of the facts, on the assertion of any claims for damages by the Company against current or former members of the Board of Management. The Company currently focuses on proceedings in connection with the truck cartel and other matters relating to possible antitrust-law violations (see below under 2.). Particularly in view of the fact that in the context of the possible pursuit of claims, relevant legal issues are still awaiting clarification by the Supreme Court’s ruling, it is in accordance with the duty of discretion that the Supervisory Board attaches considerable importance to these proceedings within the framework of its considerations. However, the Supervisory Board continues to be aware of the risk of limitation of any claims for liability of executive bodies and has taken appropriate measures in this regard.
- c) Finally, the Supervisory Board is also acting in accordance with its duties when it does not disclose further details of the considerations upon which its decision not to assert claims for damages at present is based, insofar as they could have a negative impact on the interests of the Company.

2. The Supervisory Board of Daimler AG has also dealt with further matters involving possible antitrust-law violations, including the European Commission's accusation that Daimler had entered into agreements with competing manufacturers in violation of antitrust-law concerning the development and introduction of systems for reducing the emissions of gasoline and diesel cars. The European Commission initiated formal proceedings in this respect on September 18, 2018. In the statement of objections made on April 5, 2019, the Commission now accuses Daimler and other manufacturers of collusion in violation of antitrust law.

Daimler AG has filed a leniency application so that, if the application were accepted, full cancellation of any fine is expected. The corporate statements supporting the leniency application are based on extensive investigations by the company, carried out within the framework of the cooperation with the European Commission. Based on these investigations and after an analysis of the statement of objections, the Supervisory Board has – notwithstanding the fact that it has not been established to date whether the European Commission's accusation of violations of antitrust law is founded – initiated its own comprehensive and independent investigations. In this respect too, the Supervisory Board is aware of the risk of limitation of any claims for liability of executive bodies and has taken appropriate measures in this regard.

The Supervisory Board has to date thus fully complied with its obligations under stock corporation law also in this respect.

3. The Supervisory Board of Daimler AG is guided by the principles developed by the Second Civil Senate of the BGH (German Federal Court of Justice) in its “ARAG/Garmenbeck” verdict of April 21, 1997 (II ZR 175/95) regarding the obligations of a supervisory board in connection with examining the existence and assertion of claims for damages by a company against current or former members of a board of management.

4. According to the results of my legal opinions, the Supervisory Board of Daimler AG has so far complied in full with its obligations under stock corporation law.

June 16, 2020

Prof. Dr. Mathias Habersack