

Non-Financial Declaration

We publish the non-financial declaration in accordance with the provisions of the German Commercial Code (HGB). They apply to Daimler AG (Sections 289b–289e HGB) and the Daimler Group (Sections 315b, 315c HGB). The non-financial declaration contains the main information on the aspects of environmental, employee and social matters, combating corruption and bribery, and respect for human rights. The information provided in this declaration is presented in conformity with the GRI Standards of the Global Reporting Initiative, insofar as this complies with applicable law. Some aspects are presented in accordance with internal guidelines and definitions. You can find additional information about our business model in the chapter [Business Model](#), while the risks connected with the aspects in this report can be found in the [Risk and Opportunity Report](#).

Sustainability at Daimler

At Daimler, sustainability means generating sustainable economic, environmental and social value added for all of our stakeholders: i.e. our customers, investors, employees, business partners, and society as a whole. We therefore design the solutions we offer today to be central components of mobility systems that will be climate-neutral and sustainable tomorrow. Together with players from industry, government and society we thus create value added for all of society while also laying the foundation for our future business success. This holistic strategic approach applies not only to our own products and manufacturing locations but also to our entire upstream and downstream value chain.

Our sustainable business strategy

The foundation for our approach here is provided by the sustainable business strategies of our divisions, which were adopted by the Board of Management in 2019. Since that time, our sustainability and business strategies have merged and there is no longer any distinction between them. This means that rather than being a supplement to our business strategies, sustainability issues are instead an integral component of them. Just as relevant as promising business targets are the ambitions, goals and measures that we are implementing so that Daimler can increase the positive impact it is having on society and the environment.

Among other things, we focused extensively on the 17 Sustainable Development Goals (SDGs) defined by the United Nations when we formulated our strategic goals, with special emphasis placed on SDGs 8, 9 and 11–13.

We also orient ourselves on international frameworks, the needs of our external and internal stakeholders and global trends. We used these points of reference to derive Group-wide areas of action and to define areas of responsibility as well as business-specific targets, processes and measures.

More specifically, our strategic objectives involve the following six areas of action:

- Climate protection and air quality: Plans call for our new vehicle fleet to be CO₂-neutral by 2039, when it should no longer have any relevant impact on air quality in inner cities.
- Resource conservation: We want to decouple resource consumption from business volume growth.
- Livable cities: We are improving the quality of life in cities through our leading mobility and transport solutions.
- Traffic safety: We are working to make our vision of accident-free driving a reality as we develop automated driving systems while also taking social and ethical issues into account.
- Data responsibility: Our future will consist of sustainable, data-based business models. They will enable us to focus on our customers' needs and handle all data responsibly.
- Human rights: We have assumed responsibility for respecting and upholding human rights along our automotive value chain.

We work closely together with our partners in industry, government and society at large in order to achieve our objectives. We also rely on the dedication and commitment of our employees, who are helping to shape the transformation. We have defined three enablers, or principles, that are crucial for achieving success in the six areas of action: integrity, people and partnerships.

More detailed information on “Sustainability at Daimler” can also be found in the new Daimler Sustainability Report for financial year 2020, which will be available on the Group's website from the end of March 2021. [daimler.com/sustainability](https://www.daimler.com/sustainability)

Materiality

We conducted a comprehensive materiality analysis in 2020 in order to determine which sustainability issues are particularly relevant for Daimler and its stakeholders. The analysis addressed both existing strategic areas of action and fundamentals, as well as further potential significant sustainability issues and trends. The analysis consisted of four components: a document analysis, a large-scale online stakeholder survey, interviews with experts and an SDG impact assessment.

In a subsequent step, the sustainability issues that resulted from this analysis were assessed with regard to assets, financial position, profitability and business development in order to define the topics for this non-financial declaration.

Sustainable corporate governance

In accordance with our sustainable business strategies, we are managing our activities in the six areas of action by means of an internal reporting process that uses detailed scorecards. Our management and organizational structures support this process by means of clear lines of responsibility in all business divisions.

The Group Sustainability Board (GSB) is our central management body for all sustainability issues and reports to the Board of Management. The GSB is headed 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 Group Research; also Mercedes-Benz Cars Chief Operating Officer). Besides performing its other tasks, the GSB also monitors the progress made in the six areas of action defined in the sustainable business strategies. This progress is reported in the form of detailed scorecards that the GSB receives at least once a year. The operational work is done by the Sustainability Competence Office, which consists of representatives from the units managed by the two Co-chairs as well as additional representatives from Corporate Strategy and Corporate Communications.

We also use the ten principles of the UN Global Compact as a fundamental guide for our business operations. As a founding member and part of its LEAD group, we are strongly committed to the UN Global Compact. Our internal principles and policies are founded on this international frame of reference and other international principles, including the Core Labor Standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

The short-term and medium-term components of the remuneration – the Daimler Company Bonus – have been further developed for the Board of Management and Level 1–3 managers, with effect as of January 1, 2020. These components are linked not only to financial targets but also to sustainability-related transformation targets and non-financial targets that focus on employees, customers, integrity and diversity. Further information can be found in the  [Remuneration Report](#).

Sustainable investment

The volume of managed assets relating to investments made on the basis of sustainability criteria (ESG criteria) has been increasing steadily over the last few years. This trend is also reflected by the increasing number of investors who have committed themselves to the UN Principles for Responsible Investment (PRI).

Our sustainable business strategies, with their “Ambition 2039” component for Mercedes-Benz Cars, for example, are the reason why Daimler is viewed as a sustainable investment object on the capital market. In 2020 we published a reference table for climate-related reporting for the first time. Our approach here corresponds to the recommendations issued by the Task Force on Climate-related Financial Disclosure (TCFD). Further information can be found at our website.  [daimler.com/documents/investors/presentations/daimler-ir-tcfd-en-20200307.pdf](https://www.daimler.com/documents/investors/presentations/daimler-ir-tcfd-en-20200307.pdf)

In 2020, we developed a Group-wide Green Finance Framework in order to more effectively position Daimler as a sustainable investment object and enable us to exploit the opportunities sustainable financing offers for corporate development. The Green Finance Framework makes it possible for us to finance investment in sustainable technologies through bonds and loans, for example. On the basis of the Green Finance Framework, Daimler issued a green bond with a volume of €1 billion at the beginning of September 2020. The framework is also based on the International Capital Market Association’s (ICMA) voluntary process guidelines – the Green Bond Principles. The Green Finance Framework was presented in a virtual roadshow and has attracted a great deal of interest among investors. The framework has also received certification with the highest rating – “Dark Green” – from the Center for International Climate and Environmental Research (CICERO).

Tax information

Daimler views itself as a responsible company that endeavors to meet all global tax obligations while taking into account its corporate values and its social and ethical responsibility.

Within the framework of our corporate tax strategy, we especially pursue the following principles:

- We ensure that Group companies meet all of their tax obligations and integrity standards through the use of suitable measures such as efficient, high-quality and reliable expertise, processes, systems, methods and controls.
- Establishment of an active risk management system for the Daimler Group and its relevant employees through the application of an adequate Tax Compliance Management System (Tax CMS).
- In line with the principle of being a “good corporate tax citizen”, we conduct legal and proactive, but non-aggressive, tax planning activities on the basis of economic considerations (“tax follows business”). We also strive to work cooperatively, transparently and constructively with the tax authorities, whereby we maintain our legal standpoints and defend our interests wherever we believe such actions are appropriate and legitimate.

The corporate tax strategy defines the limits of our actions here, and this strategy is further specified and implemented by means of organizational and content-related policies, provisions and instructions.

The tax policies define responsibilities, tasks and obligations and also contain specific provisions for ensuring that legal requirements are met and thus raise the awareness within the Daimler Group for tax issues. Our Code of Conduct stipulates that all intentional violations of internal or external tax provisions, as well as any failure to make corrections to procedures performed in an erroneous manner, are to be reported and investigated in line with our internally valid rule violation policies. For further information also see the chapter  [Integrity and Compliance](#).

The corporate tax department has established a Tax CMS in order to ensure tax compliance. A Tax CMS is a separate sub-unit of the Compliance Management System. The Tax CMS also operates an active tax-risk management system and monitors and checks the fulfillment of tax obligations. The goal of this consistent Group-wide risk management system is to effectively identify and reduce tax risks at the Daimler Group, and thus the associated personal risks that may be faced by the employees active in this area. This comprises numerous measures that include a tax risk review and the incorporation of tax risk issues into the internal control system (ICS) and the Group-wide risk management process in line with our risk management policies. We did not become aware of any material violations of tax laws during the reporting year.

Risk and opportunity management

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 corporate targets and to ensure risk awareness at the Group. Sustainability aspects are integrated into the Group-wide risk management process at Daimler. They are understood as conditions, events or developments involving environmental, social or governance factors (ESG), the occurrence of which may have an actual or potential impact on the Daimler Group's profitability, cash flows and financial position, as well as on its reputation.

ESG-related risks and opportunities in accordance with the CSR Directive Implementation Act (CSR-RUG) can be found in the respective categories of the Risk and Opportunity Report according to their cause. In addition, legal risks or social violations by partners and suppliers can have a negative influence on the reputation of the Daimler Group, on the environment and on the employees of partner companies and suppliers. As one of the basic principles of corporate activity, Daimler therefore pays particular attention to compliance with legal and ethical rules – also when selecting partners and suppliers. Further information can be found in the  [Risk and Opportunity Report](#).

Sustainability in the supply chain

Investors and analysts – and governments and societies as well – are increasingly calling on the automotive industry to ensure greater sustainability throughout the entire supply chain. Daimler is convinced that companies that want to be sustainable must also focus on their supply chain. That's because we procure raw materials indirectly, and components and services directly, from all over the world. Our goal is to combine achieving business success with acting responsibly toward the environment, people and society – and doing so along the entire value chain. We correspondingly expect our direct suppliers to display the same sense of responsibility by complying with environmental and social standards.

Our vehicles generally contain several thousand parts and components, and our supply chain is therefore complex. It comprises around 60,000 direct suppliers for production and non-production materials, with most of them based in Europe, North America and Asia. These suppliers in turn have sub-suppliers, and sometimes a supply chain can contain up to seven or eight sub-levels, with additional sub-suppliers on each level. With every innovation and every market development, the supply chain dynamically develops further – and this also occurred during the reporting period.

We use a variety of measures and concepts in order to ensure the sustainable management of our supply chain. These include supplier screenings, audits, risk-based due diligence analyses, qualification modules for production material suppliers and workshops with selected service providers. Our goal here is to ensure compliance with social standards and environmental regulations on the one hand and greater transparency in the supply chain on the other.

Our three procurement units – Mercedes-Benz Cars Procurement and Supplier Quality, Global Procurement Trucks and Buses, and International Procurement Services – work together to ensure responsible procurement of materials and services.

The Daimler Supplier Sustainability Standards serve as the guideline for our sustainable supply chain management system. The Supplier Sustainability Standards define our requirements for working conditions, respecting and upholding human rights, environmental protection, safety, business ethics and compliance. We demand that our direct suppliers recognize these sustainability standards and communicate them to their employees and to their upstream value chains. We also expect them to check that the standards are complied with.  supplier-portal.daimler.com/docs/DOC-1458

During the year under review, we tightened our sustainability requirements for suppliers even further and revised our contractual terms accordingly. For example, we now require our direct suppliers to establish processes that ensure the fulfillment of human rights due diligence obligations in accordance with the provisions of the UN Guiding Principles on Business and Human Rights and the relevant OECD guidelines and principles. We also reserve the right to examine and audit these processes. In addition, suppliers are required to inform us of any human rights risks and countermeasures identified. They must also disclose to us upon request any risk hotspots that exist along their supply chain. We have also revised our contractual terms with regard to our specific environmental requirements. For example, direct suppliers that provide production materials to the Mercedes-Benz Cars and Vans division must now disclose certain environmental figures – including their CO₂ emissions, energy and water consumption, and the amount of waste they produce, for example.

In 2020 a total of 658 on-site inspections were conducted at suppliers of production materials. By way of exception, virtual audits were also made, due to the covid-19 pandemic. For further information also see the chapter  Integrity and Compliance.

In addition, we examine our existing direct suppliers within the framework of risk analyses conducted on a regular basis. Among other things, we conduct annual database research to identify any violations of our sustainability and compliance rules. This is part of our supplier screening process.

Our complaint management process enables individuals to draw attention to possible human rights violations at suppliers. In this context, we work together closely with the World Employee Committee. We also investigate specific cases that NGOs bring to our attention.

We systematically follow up on all reports of violations and suspected violations in the supply chain. In cases where we identify a need to take action, we implement the necessary measures. If we become aware of a suspected violation, we first bring together all the available information and ask the suppliers to respond to the allegations. We then assess the facts of each case and take any necessary measures. This may mean that we will work with the supplier in question to solve the problem. However, it may also mean that we will terminate the business relationship with that supplier.

During the year under review, our on-site inspections at direct suppliers to Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and our International Procurement Services unit uncovered no specific suspected cases of child labor or forced labor, nor were there any indications of violations against the right to collective bargaining or freedom of association. See the chapter  Integrity and Compliance.

Since 2018, we have been cooperating with the “Drive Sustainability” initiative on the implementation of measures to make suppliers in various focus countries such as India and Argentina more aware of the importance of sustainability, and we also provide such suppliers with helpful information on this issue. We select the focus countries jointly with the initiative. However, due to the covid-19 pandemic, no physical training modules took place in 2020. Instead, we developed a concept for a new e-learning program.

In the area of services, we implement additional measures to raise awareness of human rights issues in particular. For example, a cross-functional team from our procurement units meets with suppliers in Good Practice Sharing Workshops, which have also been held online since the spring of 2020. The workshops promote an open and constructive exchange of ideas and experiences among the participants, and they also provide information on what we expect from our business partners.

 For further information on supplier management, see the Daimler Sustainability Report, which will be published at the end of March 2021.

Environmental issues

Approximately one fifth of all greenhouse gas emissions in Europe are produced as a result of the transport of people and goods on streets and roads – and that share is rising. We are taking deliberate measures to counteract this trend and have made climate protection a core element of our business strategy.

For us, the Paris Agreement represents more than just an obligation, as our commitment to its targets stems from our fundamental convictions. We therefore believe that it is our mission to develop technical innovations that will lead to CO₂-neutral mobility around the world.

Our goal for Mercedes-Benz Cars & Vans is to make our entire new car fleet CO₂-neutral by 2039. We plan to achieve this goal using a holistic approach that includes ambitious targets for all stages of automotive value creation – from the supply chain to production, the vehicle use phase, and vehicle disposal and recycling. We plan to offer our customers several electric variants in all Mercedes-Benz car segments (from the smart to large SUVs) by 2022 and to have plug-in hybrids or all-electric vehicles account for more than 50% of our car sales by 2030. By 2030, we also plan to reduce the greenhouse gas emissions of the new vehicle fleet during the vehicle use phase (“well-to-wheel”) by more than 40% as compared to 2018. This target has been confirmed by the Science Based Targets Initiative.

We have set ourselves the goal of making our fleet of new commercial vans in Europe, Japan and North America CO₂-neutral by 2039. This relates to CO₂ emissions in driving operation (“tank-to-wheel”).

The ultimate goal at Daimler Trucks & Buses is to achieve CO₂-neutral transport on the road by 2050. As early as 2022, we want our vehicle portfolio to additionally include series-produced vehicles with battery-electric drive systems in the main sales regions Europe, the United States and Japan. In the second half of the decade, we plan to augment our vehicle portfolio with series-produced fuel cell vehicles that run on hydrogen. As it will take about ten years to completely renew a fleet by 2050, another of our goals is to only offer new vehicles that are CO₂-neutral in driving operation (“tank-to-wheel”) in Europe, Japan and North America by 2039. Daimler’s management is responsible for setting strategic goals, including targets for reducing our CO₂ emissions, and for monitoring the progress made in achieving these goals.

We are developing all-electric and electrified model variants for all of our vehicle models – from cars and vans to trucks and buses. Our development focus is battery-electric mobility for cars and all-electric drive systems with batteries or fuel cells for trucks and buses. The Product Steering Board (PSB) is responsible for monitoring the development of the CO₂ emissions of the car fleet in markets in which such emissions are regulated. It is also responsible for providing forecasts. In its evaluations, the PSB takes into account the increasing degree of vehicle electrification and the changes that have been made to legal requirements, for example those related to the introduction of the new WLTP (Worldwide Harmonized Light Vehicles Test Procedure). The Board of Management then decides which measures need to be implemented. On the market side of the equation, price and volume control measures can also affect our ability to achieve our targets over the short term. For

this reason, such measures are discussed with the Board of Management within the framework of its regular reporting on the current state of CO₂ fleet compliance.

In the reporting year, the average CO₂ emissions of our total passenger car fleet in Europe (European Union, United Kingdom, Norway and Iceland) decreased to an estimated 104 g/km as measured on the basis of legal regulations (NEDC, including vans that are registered as passenger cars). This means that we achieved the CO₂ targets in Europe (European Union, United Kingdom, Norway and Iceland) in 2020. Whereas the CO₂ fleet targets were determined on the basis of the NEDC in 2020, they will be based on the WLTP values in 2021, in accordance with the regulatory requirements. This will lead to an adjustment of the fuel consumption targets and an increase of the certification values. Due to their greater relevance, we have for the first time defined the CO₂ emissions of our total passenger new car fleet in Europe as “the most important” non-financial performance indicator in the reporting year 2020. For more information on how we expect the CO₂ emissions of our car fleet in Europe to develop, see the chapter  Outlook.

In the United States, fleet values are regulated by two co-regulating standards for limiting greenhouse gases and fuel consumption in vehicle fleets: the Greenhouse Gas Standard (GHG) and the Corporate Average Fuel Economy (CAFE) standards. The GHG fleet figures for the CO₂ emissions of Daimler vehicles in the United States have improved over the last few years. For the 2020 model year, these figures are 256 g CO₂/mi for the passenger car fleet and 289 g CO₂/mi for light trucks (on the basis of the most recent forecast). Nevertheless, we were unable to achieve our average fleet targets of 196 g CO₂/mi for the car fleet and 265 g CO₂/mi for light trucks. However, we were able to close the remaining gap by taking advantage of the flexibility measures specified in the legislation (including the purchase of external credits).

In China, domestic and imported cars are reported separately and according to fleet consumption values, unlike in Europe and the United States. This means the figures for the imported fleet are the relevant figures for our wholly owned subsidiary Mercedes-Benz China (MBCL). The target was 6.27 l/100 km; the figure that was actually achieved was 8.02 l/100 km (preliminary fleet consumption value – the final fleet consumption value might be better if off-cycle technologies are included). We will purchase external credits at short notice in order to close consumption gaps in the fleet’s achievement of the target. We aim to achieve our emission targets in China in the medium term with our joint venture partner Beijing Benz Automotive (BBAC) by expanding our range of all-electric vehicles and plug-in hybrids.

The EU has stipulated a 15 percent reduction of the CO₂ emissions of new heavy-duty trucks (>16 t) by 2025 and a 30 percent reduction by 2030 (as compared to 2019/2020). To this end, the European Commission worked with automakers, scientists and other experts to develop a standardized simulation program known as VECTO (Vehicle Energy Consumption Calculation Tool) for all of Europe. VECTO also includes associated procedures for testing and measuring CO₂ emissions and fuel consumption. Data will be collected from all over Europe and will be made transparent. We have defined a clear technology roadmap to enable us to meet the EU’s requirements.

Additional information on climate protection, air quality and resource conservation can be found in the Daimler Sustainability Report, which will be made available at the end of March 2021, on our website: [🌐 sustainabilityreport.daimler.com](https://sustainabilityreport.daimler.com)

Employee issues

Electrification, autonomous driving, connected urban mobility: It's not just our products that are changing fast – lots of things in the company are changing too. We are digitalizing our value creation processes – and thus our work. Our employees will need to be able to successfully address a variety of challenges in the digital world of the future, and it is our stated goal to ensure they will be able to do so. An open attitude regarding the digital transformation and digital skills, along with a diverse and inclusive corporate culture, form the basis for achieving this goal. That's because only in a culture marked by respect and trust can all employees unlock their full potential – and that is the prerequisite for a sustainable digital transformation.

Our employees are the key to our Group's success. Around 288,500 people promote this success worldwide by contributing their expertise and ideas to our work processes and by helping to make improvements and create innovations. Particularly in times of change as we are experiencing it today, respectful and trusting cooperation between the workforce and management is extremely important. This process of transformation is affecting not only our products but also our workplaces. In order to ensure that we remain competitive over the long term, we want to equip our employees with the skills they need and help them address the challenges associated with the transformation.

Our Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees and what we need to do to improve the company in the future. We conduct the survey every two years, most recently in 2018 after it had been fundamentally reworked. We were unable to carry out the employee survey in 2020 due to the covid-19 pandemic, but we plan it in 2021.

Codetermination

We structure our decision-making processes in a manner that ensures transparency for our employees, and we also enable our employees to participate in decision-making processes. We work together with our employees as partners, respect their interests, and get them actively involved in the company. Our policies and company agreements establish rules for how we take on responsibility in our employee relationships.

We have issued our own Group-wide Principles of Social Responsibility, which are based on the International Labour Organization's (ILO) work and social standards. We established our whistleblower system BPO (Business Practices Office) a number of years ago in order to ensure that we can employ a fair and adequate approach to investigating reports on incidents, especially those that pose a high risk to the company and its employees. The BPO receives reports of suspicious cases and directs the subsequent investigations. High-risk rule violations include, for example, offenses relating to corruption, breaches of antitrust law, and violations of Anti-Money Laundering regulations, as well as violations of binding technical provisions and environmental protection laws. See [🔍 Integrity and Compliance](#).

Furthermore, Daimler recognizes its social responsibilities and the ten principles on which the UN Global Compact (UNGC) is based. As a participant in the UNGC, we commit ourselves, among other things, to respecting key employee rights ranging from the provision of equal opportunities to the right to receive equal pay for equal work.

Corporate management and the employees' association maintain an ongoing dialog. The rights of our employees are defined in a number of plant and company-wide agreements. These agreements address topics such as mobile working, family leave and home health care.

For example, employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG and Daimler Brand & IP Management GmbH & Co. KG have been given a job-security guarantee for the period until 2029. In addition to this agreement, corporate management and the employees' association concluded a company-wide agreement in July 2020 that will make it possible to reduce labor costs in the period until the end of December 2021. This agreement was concluded in response to the various challenges associated with both the transformation of the automotive industry and the covid-19 pandemic. The company-wide agreement applies to all employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG and Daimler Brand & IP Management GmbH & Co. KG, as well as to staff at Daimler Gastronomie GmbH in Germany. Further information on the company-wide agreement can be found at [🌐 daimler.com/investors/reports-news/financial-news/20200728-secure-employment-and-profitability.html](https://daimler.com/investors/reports-news/financial-news/20200728-secure-employment-and-profitability.html)

Our employees have the right to organize themselves in labor unions – irrespective the freedom of association is not legally protected. In this regard, we work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council and the World Employee Committee (WEC). Collective bargaining agreements exist for the majority of our employees throughout the Group. Such agreements apply for all of the non-exempt employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG and other units at the Group.

Appropriate remuneration

We remunerate work in accordance with the same principles at all Group companies around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Among other things, it stipulates that the amount of the remuneration is determined on the basis of the requirements of the job profile in question (taking into account, for example, the person's knowledge, expertise, responsibilities and decision-making authority) and where appropriate performance. It does not take account of gender, origin or other personal characteristics. During internal audits, we make random annual checks of selected aspects of the policy and compliance with them. In doing so, we also take into consideration local market conditions, because we want to offer our employees salaries and benefits that are customary in the industry and the respective markets. We did not become aware of any material violations of the Corporate Compensation Policy during the year under review.

In 2020 for its employees around the world the Group spent:

- €17.622 billion on wages and salaries
- €3.523 billion on social welfare services, and
- €0.703 billion on retirement benefits for a workforce numbering 293,138 on average.

Training and professional development

Due to electric mobility and digitalization we are currently experiencing the greatest ever structural change in the history of the automotive industry. Associated with it is the far-reaching transformation of our company. Job descriptions, tasks and requirements profiles are also changing as a result. This is transforming the qualifications required for many positions, affecting employees as well as managers.

The knowledge and skills of our employees are the foundation of Daimler's worldwide success. That's why we invest to a large extent in their training and professional development and continue to enhance our HR development program. How will our workforce develop over the next ten years – and what workforce structures will we need to have in the future? These are important questions that we are addressing within the framework of our "Strategic Resource Management" HR planning program at Mercedes-Benz AG and Daimler Truck AG.

For example, Daimler AG, Mercedes-Benz AG, Daimler Truck AG and Daimler Brand & IP Management GmbH & Co. KG in Germany control training and qualification processes through an overarching set of rules and regulations. From the Board of Management to our training and qualification units and the trainers at the plant level, we pursue the goal of safeguarding our competitiveness throughout the company.

Our Group's digital transformation is changing the requirements profiles of many jobs and making it necessary for staff in many positions to gain new expertise. We are addressing this issue by expanding the range of professions in which we offer training, increasing the number of programs offered by our dual study programs, and recruiting young talent with extensive digital expertise.

During the year under review, for example, we offered dual work-study programs and commercial and technical training programs in Germany for more than 30 different professions. We continuously update the programs in order to take into account future requirements and technological innovations in each profession.

We support change processes such as the company's digital transformation by offering suitable qualification measures for the entire workforce. In 2020 the focus was on IT skills and professions, high-voltage and battery technology, and the development and offer of digital learning formats. Among other things, we implemented a global digitalization qualification campaign for our IT specialists in 2019 and 2020. In addition, we prepared the Digital Readiness Program that will be used to launch a comprehensive range of digital professional training measures worldwide beginning in January 2021. Among other things, the Digital Readiness Program covers methodological, technical and cultural aspects of digitalization.

Diversity and equal opportunity

Our workforce is as diverse as our customers, and Daimler is convinced that diversity makes us more successful as a company. That's because diversity helps us to find new viewpoints and acts as a driving force behind creative ideas and innovations. We promote a working environment in which all of our employees can develop and make full use of their talent – regardless of their age, gender, sexual orientation or any other characteristic that relates to diversity. We therefore need to be tolerant of one another and remain open-minded, which means there is no place for discrimination in the workplace.

We expect all of our employees to treat each other in a respectful, open and fair manner. Managers serve as role models here and thus have a special responsibility for ensuring a corporate culture marked by fairness.

The Integrity and Diversity units at Daimler design the framework and processes for such a culture. The Global Diversity Office is a corporate function that is part of the Group Human Resources organization. This office defines strategic targets and areas of action in cooperation with the business units and initiates Group-wide projects, training programs and measures to increase awareness of the importance of diversity. For example, Daimler Diversity Day was once again held in 2020. Activities were held at various locations worldwide in line with the motto "Link perspectives – bring the mix alive." As a result of the covid-19 pandemic, many locations primarily focused on digital communication offers such as virtual workshops and discussion rounds.

Our goal is to attract the most highly qualified specialists and managers to our company and support their professional development, regardless of their age, ethnicity, gender, sexual orientation and identity, and any physical limitations they may have.

The Daimler AG Supervisory Board is legally required to have a gender ratio of at least 30% women. The Supervisory Board fulfills this requirement as a whole and also in terms of the side of the Supervisory Board representing the shareholders and the side representing the employees. At the end of 2020, 25% of the members of the Board of Management were women. This means we exceeded the target of 12.5% for the proportion of women on the Board of Management that the Supervisory Board defined and whose deadline for achievement was December 2020. As early as 2006, we had agreed to increase the share of women in management positions, and we regularly check to see how we are progressing with regard to our goals. Additional information about the targets and results can be found in the chapter [Corporate Governance](#).

Occupational health and safety

Ensuring the health and safety of our employees is a very high priority at Daimler. For example, we design our workplaces in line with ergonomic criteria and offer health maintenance programs and occupational safety training. In everything we do, we focus on the health and safety of our employees. Our overarching goal is to prevent health risks and maintain the health of all Daimler employees over the long term.

The current covid-19 pandemic isn't the only reason why it's so important to have a sustainable health and occupational safety management system in place, as the demographic transformation and advances in technology are also leading to new challenges. As a responsible employer, we seek to ensure that our employees can work in a safe and healthy environment. We utilize a holistic health and occupational safety management system in order to prevent work accidents and work-related illnesses. The focus here is mainly on preventive measures that we continuously review and develop further.

Our occupational safety strategy sets high standards for the design of workplaces and work processes. Moreover, we are systematically striving to reduce occupational and health-related risks. The Daimler Group operates on the basis of globally uniform guidelines for risk prevention. Our occupational health and safety policy and our occupational health and safety guidelines serve as overarching, internationally valid Group regulations. They are based on international standards and national laws and emphasize the managers' obligation to act responsibly. However, they also underscore the employees' own responsibility. We use internal due diligence audits to generally check every five years whether safety standards are met at our production locations. The audits didn't take place during the reporting year, due to the covid-19 pandemic. Various locations have their occupational safety and health management systems certified independently by external certification agencies in accordance with the ISO 45001 (formerly OHSAS 18001) standard in addition to the safety due diligence audits. Approximately 40% of our employees at production locations (about 100,000 employees) work with an occupational safety management system certified according to ISO 45001/OHSAS 18001.

Since 2019 Daimler has also been committed to achieving Vision Zero. This global campaign aims to prevent job-related accidents and illnesses while also promoting employees' health, safety and well-being. In the reporting year 2020 we introduced a global accident documentation system, for example. This system includes an integrated international digital reporting process that enables the rapid documentation of all covid-19 cases among the employees and thus the rapid follow-up of possible contacts by the plant medical service. We also derive standardized accident statistics from our production sites while taking all applicable data protection regulations into account. These statistics are regularly reported.

Occupational health and safety issues throughout the Group are managed by the Health & Safety unit, which is part of Human Resources and under the direction of the Chief Group Physician of Daimler AG, Mercedes-Benz AG and Daimler Truck AG. All key occupational health and safety issues are discussed on a regular basis with works council representatives and management representatives at all levels of the company. All decisions resulting from such discussions are made jointly.

The covid-19 pandemic

This Annual Report is being released at a time when people around the world continue to struggle with the covid-19 pandemic. During the reporting year, we at the Daimler Group implemented numerous measures to slow the spread of the virus and protect our employees.

In a first step, the Daimler Group had decided to suspend the majority of its production in Europe, as well as work in selected administrative departments, for an initial period of two weeks (23th of March until April 3rd, 2020). As the covid-19 pandemic worsened, short-time work was then introduced in Germany on April 6. The Group took this step in response to the wide-ranging effects of the coronavirus and the increasingly negative impact the pandemic was having on the economy and society.

We also developed new workplace rules that include preventive hygiene and safety measures for production units and offices, company restaurants, and areas in which staff need to meet with customers. Business travel that was not absolutely necessary was also reduced to a minimum until the end of 2020. We expanded our IT infrastructure in order to enable mobile working and ensure the technical functioning of digital formats such as conference calls and video conferences. Even after most short-time work arrangements ended at the beginning of July, we encouraged our employees to keep working from home if at all possible, and we continue to recommend that they do so. We have also implemented new shift concepts for departments and units where a physical presence in the office remains necessary.

The global covid-19 pandemic presented companies and employees with many challenges last year, and it continues to do so. With this in mind, the Board of Management, in consultation with the General Works Council, decided to issue a special one-time "coronavirus bonus" to non-exempt employees and team leaders of Daimler AG, Mercedes-Benz AG, Daimler Truck AG, the Daimler Mobility division, and all subsidiaries in Germany. This special payment is meant to mitigate financial and personal hardship and honor the great dedication and flexibility displayed by the workforce during the crisis. In some cases an appreciation bonus was paid to employees outside Germany.

Social issues

As a global automotive company, we operate in an environment that is subject to a variety of societal, social and political influencing factors. In order to ensure that we can continue to operate effectively in the future, we need to make our company's interests understandable to governments and society and also address the concerns of groups within society. We therefore regularly share information with our stakeholders and communicate our interests in an open and fair dialog with governments and political representatives.

Human beings can only overcome the major social and environmental challenges we face, such as climate change and increasing urbanization, by working together. We at Daimler strive to achieve such cooperation by contributing our expertise to the social dialog and by working together with others to create solutions. We are guided by the vision of utilizing exemplary formats for political dialog that allow us to establish ourselves as a leading corporate citizen in the automotive industry. The overarching goal of our approach is to harmonize the company's interests with the interests of society at large. The specific aim of our discussions with political decision-makers is to achieve greater planning security for Daimler.

Daimler has defined its own principles for political dialog and the responsible communication of our interests. Among other things, we maintain political restraint, balance and neutrality in our dealings with political parties, members of parliament and government officials. Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy unit.

We use various instruments to ensure that our political lobbying is carried out in accordance with applicable regulations and ethical standards. In our work as a member of sector associations and in our cooperation with other companies, we pay particular attention to antitrust regulations. We have also defined internally binding requirements that are laid down in various documents including a worldwide policy and the Group's Integrity Code. In addition, our policy for "Lobbying and Political Donations" governs grants, donations to political parties, and the use of other instruments for representing our interests in the political realm. Our employees can find these policies in the policy database on the intranet. Daimler is also listed in the transparency register of the European Union and accepts the register's Code of Conduct.

The policies mentioned above also define how we intend to address risks in connection with the political representation of our interests. These risks are also addressed through firmly established Group-wide compliance processes. Complaints and information relating to our lobbying activities can be addressed to our whistleblower system BPO (Business Practices Office) see the chapter [Integrity and Compliance](#).

In accordance with the legal requirements and our in-house policies, we also regularly conduct training courses. We train not only employees at Daimler Group companies but also other employees at Daimler AG who represent our interests and who are not organizationally under the direction of the External Affairs unit.

Incorporation of stakeholders

We consider it important to engage in a continuous dialog with all of our interest groups. This allows us to consider various perspectives on our involvement with sustainability issues, identify and address new trends, and share experiences. We also want to engage in constructive discussions of controversial themes at a very early stage. We always focus on conducting a dialog that is fruitful and productive for all parties involved. Our primary stakeholders are our customers, investors, employees and suppliers. However, we also communicate regularly with civil groups such as NGOs, as well as associations, trade unions, the media, analysts, municipalities, residents in the communities where we operate, and representatives of science and government.

We utilize various instruments to engage in a dialog with our relevant stakeholders. On the one hand, we use our own dialog formats, which include the Daimler Sustainability Dialogue and the virtual Mobility Lab dialog series. We also conduct stakeholder surveys, specialist conferences and thematic dialog sessions that can also take the form of workshops or are held by our Advisory Board for Integrity and Corporate Responsibility. On the other hand, we keep ourselves up to date on the latest discussions and the associated expectations by participating in industry-specific and cross-industry networks and initiatives. We also evaluate studies and other scientific publications and conduct our own media analyses. These measures help us to identify developments and the associated expectations in areas beyond the dialog events we have initiated.

Dialog at the Group level

One essential tool of the dialog with our stakeholders is the Daimler Sustainability Dialogue, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of the Daimler Board of Management and executive management. The participants attend a range of workshops, where they discuss issues related to sustainability and work together to further develop their approaches. Our personnel responsible for specific themes take up the impulses generated by the participants and work together with the stakeholders to incorporate these ideas into their work. They then report at the event in the following year on the progress made in the interim. Due to the covid-19 pandemic, we held our Daimler Sustainability Dialogue via a digital meeting platform for the first time in 2020. More than 200 external and Daimler participants split up into working groups to discuss themes such as human rights, environmental protection, livable cities and the topic of "Employees and Integrity." Further information on the Daimler Sustainability Dialogue and the results from the working groups is available at daimler.com/documents/sustainability/other/sd2020-overall-plenary-reports-working-groups-en.pdf

B.36

Examples of instruments of stakeholder dialog

Information	Dialog	Participation
<ul style="list-style-type: none"> - Daimler Sustainability Report as well as regional reports (such as the Daimler China Sustainability Report) - Environmental declarations by the plants - Press and public-relations work - Corporate website - Blogs and social media - Social intranet and internal communication - Plant tours, receptions, Mercedes-Benz Museum 	<ul style="list-style-type: none"> - Annual "Daimler Sustainability Dialogue" (Germany/regions) - Local dialog with residents and municipalities - Internal dialog sessions on integrity and compliance - Daimler Supplier Portal - Membership of sustainability initiatives and networks - Collaboration in the BDI workgroup on artificial intelligence - Specialist conferences on societal topics and debates - Topic- and project-related discussions - Dialog formats on future-oriented questions: think tanks, hackathons, ideation challenge 	<ul style="list-style-type: none"> - Stakeholder consultation in topic-related working groups - Advisory Board for Integrity and Corporate Responsibility - Peer review within the framework of sustainability initiatives such as the UN Global Compact

As a global company, we have set ourselves the goal of ensuring sustainability at our business units and specialist units around the world. For this reason, we organize Daimler Sustainability Dialogue events in other countries and regions as well. During the reporting year, more than 300 stakeholders attended the eighth Daimler Sustainability Dialogue in China, which was virtual for the first time as well. At the event, they discussed topics such as green manufacturing, urban mobility and social responsibility.

In 2020, we established the Daimler Mobility Lab (DML) in Berlin. This is a new platform for a public dialog with citizens, government, business and industry, and NGOs. At the DML, we discussed current issues with stakeholders and worked with them to find answers to social and environmental questions. The focus was on sustainability, electric mobility, digitalization and urbanization, and the impact these issues have on society. Various formats were utilized at different locations in Berlin. These included an internal series of talks on the topic of "Transformation in the New Normal," as well as panel discussions on "The Future of Urban Mobility in the New Normal."

The Advisory Board for Integrity and Corporate Responsibility has been an important source of input for sustainability activities at Daimler since 2012. The board's members – independent external experts from the fields of science and business, as well as from civic organizations – offer us constructive criticism in questions related to integrity and corporate responsibility at Daimler. The board meets at regular intervals and also holds discussions with members of the Board of Management and responsible personnel from the specialist units. During the year under review, the Advisory Board also held a joint meeting with representatives from the Supervisory Board. The Advisory Board's members have extensive experience and possess diverse specialized knowledge regarding environmental and social policy, various human rights and ethical issues, and the development of transport, traffic and mobility. During the reporting year, the Advisory Board focused in particular on the transformation of the automotive industry, the further development of Daimler's sustainable business strategies and the handling of the covid-19 pandemic.

Daimler also maintains regular contact with representatives from civic organizations and other companies. In addition to the dialogs we initiate, we also participate in various associations, committees and sustainability initiatives. Some of the

most important initiatives here are the UN Global Compact, econsense – German Business Forum for Sustainable Development, and the World Business Council for Sustainable Development. Further information on our memberships in various organizations can be found here: sustainabilityreport.daimler.com/2019/servicepages/downloads/files/daimler_2019_memberships.pdf

Political dialog and representation of interests

The specific aim of our discussions with political decision-makers is to achieve greater planning security for Daimler. During the reporting year, we focused on the following issues in particular:

- Achieving climate targets and improving air quality
- Making cities more livable places
- Improving traffic safety
- Establishing standards for human rights due diligence
- Creating transparency with regard to sustainable financing
- Solving location-specific issues through discussions
- Promoting free and fair trade
- Modernizing labor laws

Daimler did not make any financial or non-financial contributions to political parties during the reporting year. This decision was not based on current political or economic events.

Traffic safety

Accident-free driving – this vision drives us and is a firm component of our sustainable business strategies. Our innovative driving assistance systems already offer drivers and passengers a high level of safety and comfort today. These systems can help drivers avoid or safely manage critical situations on the road in order to protect vehicle occupants and other road users. System warnings and active brake applications are now increasingly mitigating the consequences of accidents or even preventing them altogether.

We have set ourselves ambitious goals as we continue on our road to accident-free driving, and we are systematically moving ahead to achieve them. We are aiming to:

- Further improve our accident-prevention systems – for example with Active Brake Assist.
- Make our vehicles even safer for vehicle occupants both during and after an accident – for example with appropriate vehicle structures, effective restraint systems, and systems that can engage after an accident.
- Make our vehicles safer for others – for example with pedestrian recognition systems and systems that protect other road users.
- Increase traffic safety in general – for example through CSR safety initiatives such as SAFE ROADS and Mobile Kids.
- Contribute to ensuring safety for all road users by sharing data – for example within the framework of the pilot project in the Zollernalb district in Baden-Württemberg.

We utilize our holistic “Integral Safety” concept in our vehicle development activities. We first used this concept in the late 1990s to describe how we had divided the utilization of safety systems into four phases: “Driving Safely,” “Dangerous Situations,” “In the Event of an Accident” and “After an Accident.”

Our safety measures establish a bridge between active and passive safety within these four phases – i.e. between accident prevention (phases 1 and 2) and protection when an accident occurs (phases 3 and 4).

The models from Mercedes-Benz Cars repeatedly earn top marks in safety tests conducted by independent institutes. Of particular note in this regard are the marks Mercedes-Benz regularly receives from the American Insurance Institute for Highway Safety (IIHS). The IIHS rating assesses crash safety and accident-prevention and lighting systems. The Mercedes-Benz C-Class and the GLE received the IIHS “2020 TOP SAFETY PICK+” award for the 2020 model year.

During the reporting year, the European New Car Assessment Programme (Euro NCAP) issued ratings for driving assistance systems in a comparison of various vehicle models for the first time. The current GLE with its driver assistance package received a rating of “very good.” This means that the experts at Euro NCAP believe that among the vehicles in the competitive field the GLE offers the system that displays the greatest balance as well as a very high degree of effectiveness.

Our expenditure of € 8.6 billion on research and development includes, among other things, R&D expenditure for our safety measures and concepts.

Integrity and compliance

We are convinced that companies stay successful in the long term only if their actions are ethical and legally responsible. That is especially the case during times of turmoil and transformation such as those we are experiencing today. That’s why integrity and compliance are top priorities at Daimler.

Integrity management

The automotive industry is in a state of radical change. New fields of business are developing, and they are requiring companies to reorient themselves. Meanwhile, new technologies are raising new questions – ethical as well as legal ones. Moreover, the covid-19 pandemic has led to profound transformations all over the world. In such times of change and uncertainty, value-based action matters more than ever.

We are always striving to be the best. Our goals are to develop progressive technologies, build outstanding vehicles and offer smart mobility solutions. This commitment to excellence also applies to the way we deal with one another, with our customers and with our business partners. We also want to live up to our social responsibilities in ways that set benchmarks.

That’s why integrity is a central element of our corporate culture. For us, this involves more than just obeying laws. We also align our actions with a shared system of values, which include fairness, responsibility, respect, openness and transparency as key elements.

How we make integrity part of our daily business activities

Integrity, compliance and legal affairs are combined in a single executive division at Daimler. The Integrity and Legal Affairs division supports all of our corporate units in their efforts to embed these topics in our daily business activities.

Our Group-wide Integrity Code is our shared standard of values and defines the guidelines for acting with integrity. It is binding on all employees of Daimler AG and our controlled Group companies. Employees from a variety of corporate units all over the world have helped to formulate the Integrity Code. It is available in ten languages and includes, among other things, regulations concerning anti-corruption measures, data management, product safety and compliance with technical regulations. We most recently updated our Integrity Code in 2019. Our employees can find all the important information related to the Integrity Code – such as FAQs, points of contact and contact persons – on the intranet.  [The main principles and practices of corporate governance](#)

In our Integrity Code we have also formulated a special set of requirements for our managers: We expect them in particular to serve as role models through their ethical behavior and thus offer guidance for our employees.

Our Integrity Management unit is responsible for promoting and enhancing integrity within our company and creating a shared understanding of integrity. The goal is to avoid possible risks due to unethical behavior and thus contribute to our company’s long-term success.

The Infopoint Integrity is the central point of contact for employees of Daimler AG and the Group companies when they have questions concerning integrity. The Infopoint works together with experts for legal and HR issues, data protection, compliance, as well as diversity or sustainability. It either provides direct support or connects employees with the appropriate contact partner.

A worldwide network of local contact persons for inquiries regarding integrity, compliance and legal issues is also available to our employees. The network evaluates the inquiries that are raised and, if necessary, initiates the appropriate measures.

In addition, we expanded the Integrity Network during the reporting year. The Integrity Network consists of employees from the individual companies, divisions and functional divisions of the Daimler Group. Its members regularly share information and develop and implement concrete measures in order to embed integrity even more firmly in our daily business activities.

In 2020 we once again initiated a variety of measures related to integrity. The starting point was the findings of the online employee survey “Big Picture Integrity,” which we had conducted throughout the Group in 2019. The findings showed that we have laid a good foundation for a culture of integrity at Daimler. The survey results have a direct influence on the remuneration of the management.

To gain an impression of current attitudes toward the culture of integrity at our company, we conducted an “Integrity and Compliance Pulse Check” in 2020 as a Group-wide random sample survey providing representative results. The results, which were positive on the whole, show that we have once again made progress in the ongoing development of our culture of integrity.

Communication at all levels

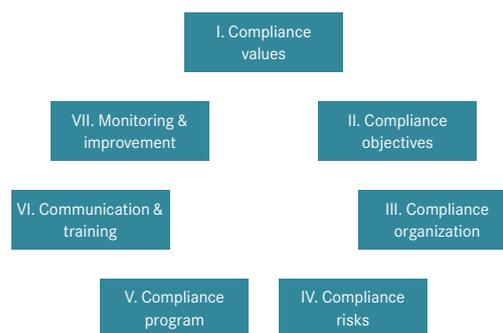
We conduct ongoing knowledge sharing and an open dialog with our employees to ensure that integrity will remain embedded in our company’s daily business over the long term. For example, during the reporting year we continued to regularly inform employees about our Integrity Code and its significance for our daily business activities. We have also continually addressed the topics of integrity, compliance and legal affairs in our internal media, such as brochures and films.

Our employees can also access the Integrity Toolkit via the Daimler Social Intranet. The Toolkit contains formats for dialog events, tools for self-reflection, case studies and further information about the topic of integrity.

In 2020 we particularly focused on direct discussions and once again conducted a variety of dialog events with employees at all levels of the hierarchy and with external stakeholders. We conducted all of these events virtually because of the protective measures in force due to the covid-19 pandemic.

B.37

The Daimler Compliance Management System



Our Compliance Management System (CMS)

Value-based compliance is an indispensable part of our daily business activities at Daimler, and it is firmly embedded in our corporate culture. Daimler is strongly committed to responsible and lawful conduct. We expect our employees to comply with the laws and regulations as well as voluntary self-commitments and to put our values into practice. We have defined these expectations in a binding form in our Integrity Code.

[The main principles and practices of corporate governance](#)

Compliance values and objectives

The central objectives of our compliance activities are respect for and protection of human rights, compliance with anti-corruption regulations, the maintenance and promotion of fair competition, the compliance of our products with technical and regulatory requirements, adherence to data protection laws, compliance with sanctions and the prevention of money laundering.

Through our CMS we aim to promote compliance with the laws and policies in these areas at our company, to prevent misconduct and to respond appropriately to any violations. The corresponding measures are defined by our compliance and legal affairs organizations in a process that appropriately takes our business requirements into account.

Compliance organization

Our compliance and legal affairs organizations are structured divisionally, regionally and along the value chain. As a result, they can provide effective support – for example, by means of guidelines and advice. Contact persons are available to each function, division and region. In addition, a global network of local contact persons makes sure that our compliance standards are met. The contact persons also help the management at the Group companies implement our compliance program at their respective sites.

The Daimler Compliance Board provides guidance regarding overarching compliance topics and monitors activities to see whether our compliance measures are effective. The Board’s mission is to react promptly to changes in business models and the business environment, deal with regulatory developments and continuously enhance the CMS. The Compliance Board consists of representatives of the compliance and legal affairs departments. It generally meets four times a year with additional meetings for cause and is chaired by the Chief Compliance Officer.

Involvement of company management

The Chief Compliance Officer, the Vice President & Group General Counsel and the Vice President Legal Product & Technical Compliance report directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. They also report regularly to the Board of Management of Daimler AG on matters such as the status of the CMS and its further development, as well as the whistleblower system BPO.

In addition, the Vice President & Group General Counsel regularly reports to the Antitrust Steering Committee and the Group Risk Management Committee. The Chief Compliance Officer and the Vice President Legal Product & Technical Compliance also report to the Group Risk Management Committee.

The structure of the reporting lines safeguards the compliance officers' independence from the business divisions.

Compliance risks

We examine and evaluate our Group companies and corporate departments systematically each year in order to minimize compliance risks. In this process we use, for example, centrally available information about the Group companies and corporate departments, 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 our compliance risk control.

Compliance program

Our compliance program comprises principles and measures that are designed to minimize compliance risks and prevent violations of laws and regulations. The individual measures are based on the knowledge gained through our systematic compliance risk analysis. We focus, 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 behavior of our business partners. We address all of these points in greater detail in a later section.

The whistleblower system BPO

The Business Practices Office (BPO) whistleblower system enables all employees, business partners and external whistleblowers to report misconduct anywhere in the world. 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 whistleblower system BPO enables us to learn about potential risks to the company and its employees and thus to prevent damage to the company and its reputation. 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 evaluating incidents of misconduct and making decisions about their consequences. If the initial assessment of an incident categorizes it as a low-risk rule violation, the BPO hands the case over to the responsible unit – for example, the HR department, Corporate Security or Group Data Protection. The

respective unit investigates the incident and deals with the case on its own authority. Examples of low-risk rule violations 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 high-risk rule 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 offenses 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. In an effort to constantly increase trust in our whistleblower system and make it even better known to our employees, we use a variety of communication measures. For example, we provide informational materials such as country-specific information cards, pocket guides and an instructional video. We also regularly inform employees about the type and number of reported violations and make case studies available on a quarterly basis.

A total of 53 new cases were opened in 2020. Overall, 42 cases, in which 66 individuals were involved, were closed "with merit." In these cases, the initial suspicion was confirmed. Of these cases, six were in the category "Corruption," two were in the category "technical Compliance" and eight were in the category "Reputational Damage." In 11 cases, accusations of inappropriate behavior of employees toward third parties were confirmed. Seven cases were categorized as "Damage over 100,000 €" The remaining cases fell into other categories. With regard to those cases that are closed "with merit," the company decides on appropriate response measures in line with the principles of proportionality and fairness. The personnel measures taken in the reporting year 2020 included (written) warnings, separation agreements and (extraordinary) terminations.

Compliance on the part of our business partners

We expect not only our employees to comply with laws and regulations. We also require our sales partners and suppliers to adhere to clear compliance requirements, because we regard integrity and conformity with regulations as a precondition for trusting cooperation. In the selection of our direct sales partners and in our existing sales partnerships, we therefore ensure that our partners comply with laws and regulations and observe ethical principles. In financial year 2020, we refined and made full use of our globally standardized process for the effective and efficient assessment of all new sales partners and the step-by-step re-evaluation of our existing sales partners (Sales Business Partner Due Diligence Process). Our continuous monitoring in this area is designed to ensure that we can identify possible integrity violations by our sales partners. We also reserve the right to terminate cooperation with, or terminate the selection process for, any sales partner who fails to comply with our standards. In addition, we work with our procurement units to continuously improve our processes for selecting and cooperating with suppliers.

Our global Daimler Sustainability Standards apply in this area. On the basis of these standards and our Integrity Code, we make available to each of our suppliers and sales partners a specific Compliance Awareness Module developed with their activities in mind. This module is intended to sensitize them to current integrity and compliance requirements such as those related to anti-corruption measures and technical Compliance. Through these measures we also offer our business partners assistance for dealing with possible compliance risks.

Communication and training

We offer extensive compliance training courses that are based on our Integrity Code – for example, courses for employees in administrative units and in the compliance and legal affairs departments as well as for members of the Supervisory Board and the executive management. The contents and topics of the training courses are tailored to the roles and functions of the respective target group. We regularly analyze the need for our training program, expand or adapt it as necessary and conduct evaluations.

Monitoring and improvements

We monitor the processes and measures of our CMS annually and conduct analyses to find out whether our measures are appropriate and effective. For these activities, we rely on information about the Group companies as well as additional locally gathered information. We also monitor our processes regularly on the basis of key performance indicators such as the duration and quality of individual processes. To determine these indicators, we check, among other things, whether formal requirements are being met and whether the content is complete. We also take into account the knowledge gained through internal as well as independent external assessments.

If changed risks or new legal requirements call for adjustments, we adapt our CMS accordingly. The Group companies implement the respective improvement measures on their own authority. They also regularly monitor these measures to determine their effectiveness and continually inform the responsible management committees about the results of their monitoring process.

Anti-corruption compliance

Daimler has committed itself to fighting corruption – because corruption is harmful to fair competition, society and our Group. Our anti-corruption measures extend beyond compliance with national laws. We also adhere to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). Our anti-corruption compliance program is based on our Group-wide CMS. The CMS Anti-corruption was audited in accordance with the 980 standard of the Institute of Public Auditors in Germany by KPMG AG Wirtschaftsprüfungsgesellschaft. This audit, which was based on the principles of appropriateness, implementation and effectiveness was successfully completed at the end of 2019.

Antitrust compliance

In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit for antitrust law, which was based on the principles of appropriateness, implementation, and effectiveness, was successfully completed at the end of 2016. This program is oriented to national and international standards as well as the regulations and the constant evolution of legal practice for ensuring fair competition. The program establishes a binding, globally valid Daimler standard that defines how matters of antitrust law are to be assessed and how compliance with all of the local and international antitrust laws in force can be ensured. By means of a variety of communication and training measures, a central advisory hotline, guidelines and practical support as well as local legal advisors, we help our employees around the world to recognize situations that might be critical from an antitrust perspective and to act in compliance with all regulations. The results of our annual compliance risk analysis serve as the basis for the formulation of measures that address antitrust risks. In addition to monitoring the management activities that fall within the framework of Group management duties, the legal department conducts corporate audit monitoring measures in order to assess and safeguard the implementation of each respective measure. The assessments make it possible to continuously improve our Antitrust Compliance Program.

Technical Compliance

For us, technical Compliance means adhering to technical and regulatory requirements, standards and laws. In doing so, we take into account the fundamental spirit of these laws and regulations and we adhere to internal development requirements and processes. Our objective 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 we have established a technical Compliance Management System (tCMS) in our automotive divisions. Its objective is to safeguard compliance 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 our employees with guidance and orientation especially with regard to challenging questions on how to interpret technical regulations. Measures such as the Integrity Code, supportive points of contact and the “Speak Up” and “Judgement Calls” commitment statements that have been specially defined for the development units offer support in this area. The commitment statements provide employees with a basis for a common understanding of responsible behavior in the product creation process.

In order to ensure an independent external assessment of our tCMS, KPMG AG Wirtschaftsprüfungsgesellschaft audited the tCMS with focus on emissions in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit with focus on emissions was based on the principles of appropriateness, implementation and effectiveness, and was successfully completed at the end of 2020.

Data compliance

Connectivity and digitalization will have a major impact on mobility in the future. The responsible handling and protection of data that is created and stored by these digital systems is a top priority at Daimler.

The regulatory requirements relating to data protection have become significantly more stringent in recent years. The strict requirements of the General Data Protection Regulation (GDPR) are valid not only in the European Union but also beyond it. Meanwhile, many countries all over the world that are relevant to Daimler's business operations have tightened up their local data protection laws. We are addressing the increased regulatory requirements by means of our Group-wide Data Compliance Management System (Data CMS), which along with our Data Vision and our Data Culture is a fundamental component of our overarching Data Governance System.

The Data CMS, which combines all Group-wide measures, processes and systems for ensuring data compliance, is based on the existing Daimler CMS. The Data CMS supports the systematic planning, implementation and monitoring of compliance with data protection requirements.

Anti-financial crime compliance

Money laundering and the financing of terrorism cause tremendous damage – to the economy and society in equal measure. Even an accusation of money laundering can compromise our reputation and have financial consequences for us as well as our shareholders and stakeholders. For this reason, the prevention of money laundering and the implementation of anti-money laundering measures have been defined as central compliance goals in our Integrity Code. To this end, we employ an integrated compliance approach. Before we implement measures to prevent money laundering, we check against current sanctions lists. On the one hand, through these measures we prevent criminals from evading supranational and national sanctions; on the other, we enhance the effectiveness of our measures to prevent money laundering, the financing of terrorism, organized crime and other types of corporate crime.

Social compliance

As an internationally operating company, we too bear responsibility for ensuring respect for and safeguarding of human rights along our entire value chain. We actively proceed here and conduct risk-based and systematic monitoring to ensure that human rights are upheld at our own companies and our suppliers. In order to procure raw materials in a responsible manner, we also work together with associations, organizations and other companies in multiple various projects and initiatives.

To ensure that human rights are respected and safeguarded, we have developed an in-house due diligence approach called the Human Rights Respect System (HRRS). We use this system to monitor human rights risks within our own Group companies, at our direct suppliers (Tier 1) and at suppliers beyond the Tier 1 level on the basis of potential risks.

The HRRS encompasses four steps: risk assessment, program implementation, monitoring and reporting. It is designed to systematically identify and avoid risks and possible negative effects of our business activities on human rights early on, to avoid them and, if necessary, to initiate adequate measures. In addition to protecting the company, the HRRS thus also primarily protects third parties, the so-called rights holders.. External stakeholders are regularly involved as we continue to expand the HRRS step by step. Among other things, we hold talks with international NGOs concerning the human rights risks arising from the extraction of certain raw materials, and we also organize the annual Daimler Sustainability Dialogue ([🌐 daimler.com/documents/sustainability/other/sd2020-overall-plenary-reports-working-groups-en.pdf](https://www.daimler.com/documents/sustainability/other/sd2020-overall-plenary-reports-working-groups-en.pdf)). At this event, we annually discuss and evaluate our progress as well as the challenges that arise during the implementation of our management approach. The respective departments then evaluate the results and the ideas provided by the stakeholders and incorporate them into their work processes.

As part of the integration of the HRRS into the Group-wide Compliance Management System, the Group companies in which Daimler has a majority share are examined for possible human rights-related risks, analogously to other compliance fields such as anti-corruption. In the first step, we classify the Group companies according to fixed criteria, including country-specific and business-specific risks. The focus is on the most important human rights issues that have been identified for the Group companies, including employee rights, diversity and safety. In the process, we take into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and those of the International Labour Organization (ILO). On this basis we conduct a more thorough analysis every year with the help of a survey regarding human rights and use the findings to derive packages of risk-specific measures.

During the reporting period, this newly developed method was used for the first time at high-risk Group companies. The local compliance officers, who are part of our global compliance network, provide assistance for the human rights survey at the Group companies. In order to obtain useful insights from the survey, the compliance experts were trained in advance in an in-depth online training that was tailored to their needs. This training enabled them to recognize the human rights risks of our focal areas. It allowed us to identify the specific local risks and explore them further in discussions with the compliance officers of the respective Group companies. The results of this more in-depth risk analysis are correspondingly documented and incorporated into the development of targeted measures for minimizing human rights risks. We plan to continuously refine this analysis in the years ahead and to expand it to all Group companies in which we have a majority stake. Coupled with this is the development of risk-specific packages of measures that we will supply to the respective Group companies in line with their risk classification. They provide a systematic means of preventing human rights risks.

We pay special attention to our upstream supply chain of production materials. Here it is especially important to identify and avoid potential human rights risks and negative effects early on.

The key human rights risks that we have identified for the supply chain are reflected in the standards for our suppliers (Daimler Supplier Sustainability Standards) and, among other things, encompass child labor, forced labor and employee rights. In a more in-depth risk analysis, we also further specify and delimit raw material-specific focal topics. The specific risks can differ, depending on a product's processing stage within the supply chain (e.g. mine, refinery, processing plant or plantation). For example, we have identified child labor, health and safety as the most urgent human rights risks for cobalt, while the risks associated with the procurement and processing of lithium are largely related to rights that are affected by the extensive use of water at the procurement locations. We are also closely cooperating with relevant stakeholders in raw material supply chains in order to help improve working conditions and prevent human rights violations in raw material mining operations. Important platforms here include raw material initiatives such as the Initiative for Responsible Mining Assurance (IRMA), which we joined during the reporting year. They provide cross-sector mechanisms such as auditing standards and certification systems that help, among other things, to make it possible to trace the origins of materials such as cobalt, iron ore and bauxite, which is necessary for producing aluminum.

We want to continue to make recognizable progress on this important topic. Respect for and protection of human rights is therefore one of the focal topics of our sustainable business strategies. We have set measurable goals that we consistently pursue.

Within the framework of an advanced risk assessment, we have identified 27 service areas and 24 raw materials whose use, extraction and further processing pose potentially critical human rights risks. Our objective for the period through 2028 is to define and implement appropriate measures for addressing 100% of our production raw materials that harbor a higher risk of human rights violations. By the end of 2020, we had planned to assess 20 percent of all highest-risk raw materials. This figure is set to rise to 70 percent by 2025. Improving the transparency and traceability within our supply chains is fundamental to these efforts. Through these improvements we aim to identify potential risks and negative effects early on. Our assessment process basically consists of three steps. We want to:

1. Create transparency along the raw materials supply chains for certain focus components, such as battery cells,
2. Identify risk hotspots in these supply chains, and
3. Define and implement measures that address the risk hotspots.

By the end of 2020 we had assessed 24% of all high-risk raw materials.

These are our long-term goals:

- In the first step regarding our services supply chains, our goal is to conduct an initial review in the period through 2021 of 100% of our service product groups that pose a high risk of human rights violations.
- Our objective for the period through 2025 is to review 70% of all the high-risk production raw materials we use that pose a high risk of human rights violations and to define any necessary improvement measures.
- Our objective for the period through 2028 is to define and implement appropriate measures for addressing 100% of our production raw materials that harbor a higher risk of human rights violations.

Further information can be found in the Daimler Sustainability Report 2020, available from the end of March 2021 at [sustainabilityreport.daimler.com](https://www.sustainabilityreport.daimler.com)