

## 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 CO<sub>2</sub>-neutral mobility around the world.

Our goal for Mercedes-Benz Cars & Vans is to make our entire new car fleet CO<sub>2</sub>-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 CO<sub>2</sub>-neutral by 2039. This relates to CO<sub>2</sub> emissions in driving operation (“tank-to-wheel”).

The ultimate goal at Daimler Trucks & Buses is to achieve CO<sub>2</sub>-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 CO<sub>2</sub>-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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> fleet compliance.

In the reporting year, the average CO<sub>2</sub> 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 CO<sub>2</sub> targets in Europe (European Union, United Kingdom, Norway and Iceland) in 2020. Whereas the CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub>/mi for the passenger car fleet and 289 g CO<sub>2</sub>/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 CO<sub>2</sub>/mi for the car fleet and 265 g CO<sub>2</sub>/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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.