

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.