



# Corporate Governance

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# Report of the Audit Committee

Dear Shareholders,

As Chairman of the Audit Committee, I am very pleased to report to you on the tasks and activities performed by that body in financial year 2020.

## Responsibility

On the basis of applicable law, the German Corporate Governance Code and the Rules of Procedure of the Supervisory Board and its committees, the Audit Committee deals primarily with questions of accounting, financial reporting and non-financial reporting. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors. Furthermore, it discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and the compliance management system. After the external auditors are elected by the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements. Furthermore, the Audit Committee determines the important audit issues and negotiates the audit fees with the external auditors. The Audit Committee also commissions the external auditors to carry out a voluntary examination of the non-financial report within the framework of a limited assurance engagement and to audit the non-financial declaration as part of the Management Report.

## Equal representation

Audit Committee Chairman Dr. Clemens Börsig and Joe Kaeser served as the shareholder representatives on the Audit Committee in financial year 2020. Both are independent and have expertise in the field of financial reporting, as well as special knowledge of and experience in the auditing of financial statements and the application of methods of internal control. During financial year 2020, the employees were represented on the Audit Committee by Michael Brecht as the Deputy Chairman of the Committee and by Ergun Lümali.

## Meetings and participants

The Audit Committee met six times in financial year 2020. All of these meetings were also attended by the Chairman of the Supervisory Board, Dr. Manfred Bischoff, as a permanent guest. The other permanent participants in the meetings were the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments such as Accounting, Internal Auditing, Compliance and Legal were also present to report on individual items of the agenda.

In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the aforementioned members of the Board of Management, the external auditors, the Head of Internal Auditing, the Head of Compliance, the Head of Legal Affairs and, if required, the heads of other specialist departments. Such individual discussions were mainly held to prepare for the next committee meetings.

## Reporting to the Supervisory Board

The Chairman of the Audit Committee informed the Supervisory Board about the activities of the Committee and about the contents of its meetings and discussions in the following Supervisory Board meetings.

## Topics in 2020

In the meeting held on February 10, 2020, the Audit Committee dealt with the preliminary figures of the annual financial statements and the annual consolidated financial statements for the year 2019, as well as with the proposal on the appropriation of profits made by the Board of Management. Following an in-depth review, the Audit Committee took positive note of the presented figures and determined that no objections were to be made to their proposed publication. The Committee further recommended that the Supervisory Board, which met immediately thereafter, adopt the same view. The preliminary key figures and the proposal on the appropriation of profits were announced at the Annual Press Conference on February 11, 2020.

In another meeting held on February 19, 2020, the Audit Committee dealt with the annual financial statements, the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the financial year 2019, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as with the proposal on the appropriation of profits. During the meeting, the Audit Committee focused in particular on the key audit matters described in each audit opinion and on the audit approach applied in each case, including the conclusions drawn. The Audit Committee also reviewed and discussed the non-financial report, for which an auditor's report was issued in accordance with ISAE 3000. The external auditors reported on the results of their audit and the voluntary review of the non-financial report within the framework of a limited assurance engagement, and were also available to answer supplementary questions and to provide additional information. The audit reports on the annual company and consolidated financial statements (including the combined management report) and the internal control system, the report concerning the non-financial report, and important issues related to accounting were discussed with the external auditors. In addition, the Audit Committee also discussed the risk management system. Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the

financial statements, the combined management report, the declaration on corporate governance included in the corporate governance report, the non-financial report, and the Board of Management's proposal on the appropriation of profits, which involved the payment of a dividend of €0.90 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for financial year 2019.

In this meeting, the Audit Committee also discussed the report on the total fees paid to the external auditors in financial year 2019 for auditing and non-auditing services and defined the framework of approval for engaging the external auditors to provide non-audit services during the period January 1, 2020 to February 15, 2021. The Audit Committee also decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG AG Wirtschaftsprüfungsgesellschaft be engaged to conduct the annual external audit, the audit of the consolidated financial statements and the external auditors' review of interim financial reports for financial year 2020 and also to conduct the external auditors' review of interim financial reports for financial year 2021 in the period leading up to the Annual Shareholders' Meeting in 2021. The Audit Committee based this recommendation on the quality of the annual audit and the results of the independence review, for which no indications of partiality or a threat to independence were found. Moreover, the Audit Committee decided to propose to the Supervisory Board that it have the contents of the non-financial report for 2020 voluntarily reviewed again (with limited assurance). Subject to the election of the proposed external auditors by the Annual Shareholders' Meeting, the Audit Committee also discussed the proposal to be made regarding the fees to be agreed upon with the external auditors for financial year 2020. Finally, the Audit Committee dealt with the annual audit plan for 2020 of the Internal Auditing department and, within the framework of its responsibility, with the agenda for the 2020 Annual Shareholders' Meeting, which at this point was still scheduled to take place on April 1, 2020.

In the meetings during 2020 related to the quarterly results, the Audit Committee discussed the interim financial reports and the results of the auditors' review before their publication with the Board of Management and with the external auditors. In addition, the Committee received reports from the Internal Auditing, Compliance and Legal departments. The Board of Management reported regularly to the Audit Committee on the current status of the main legal proceedings, including anti-trust proceedings as well as inquiries, investigations, proceedings and administrative orders in connection with diesel emissions. In addition, the Audit Committee regularly dealt with notifications concerning possible violations of rules submitted by employees and third parties to the Group's own BPO (Business Practices Office) whistleblower system.

The meeting of the Audit Committee in April 2020 dealt with the interim financial report for the first quarter of 2020, focusing intensively on the fiscal impact of the covid-19 pandemic. Moreover, the Audit Committee received reports from the Internal Auditing, Compliance and Legal departments, which also addressed the effects of the covid-19 pandemic. Another item on the agenda was the agreement on the external auditor fees for financial year 2020.

In its meeting in June 2020, the Audit Committee discussed aspects of the Group's risk management system and dealt in particular with its changes and further development. It also discussed the methods and processes of, and changes to, the internal control system. In this meeting, the Committee also addressed the agreement on the external auditor fees and discussed planning measures for the annual external audit and the key audit issues for financial year 2020. In addition, the Audit Committee extensively investigated current accounting issues. These included the regulatory statements concerning SARS-CoV-2 that were of key importance for the company as well as the methodology for evaluating the existing fleet of leased vehicles. The meeting was also used to discuss the results of the internal quality analysis of the external audit for financial year 2019. Lastly, the Audit Committee learned about liquidity management within the Group and the sub-groups and the methodological approach used to hedge against raw material and currency risks. In conclusion, the Committee took note of a report about current tax-related issues.

In the meeting held in July 2020, the Audit Committee dealt with the results of the second quarter of 2020. In doing so, it also addressed the financial implications of the covid-19 pandemic. As part of its risk reporting activities, the Audit Committee mainly addressed legal proceedings as well as sales and production-related risks. In addition, the Committee received quarterly reports from the Compliance, Internal Auditing and Legal departments. Finally, the Audit Committee discussed with the Board of Management the annual report produced by the Group's Data Protection Officer.

In October 2020, the Committee dealt with the interim financial report for the third quarter of 2020. In addition, the Committee expanded the range of key audit issues for the external auditors and conducted its annual review of the authorized non-audit services provided by the external auditors. It also decided to adjust the current catalog of authorized non-audit services. Due to the Board of Management's decision to integrate the former non-financial report into the combined management report as the non-financial declaration, the Audit Committee resolved to recommend to the Supervisory Board that the audit of the consolidated financial statements and the combined management report by the external auditors should be correspondingly expanded. In response to the current public debate concerning escrow accounts, the Audit Committee obtained in-depth reports about the management of the bank and escrow accounts within the Daimler Group. In addition, the Committee received quarterly reports from the Compliance and Legal departments. Moreover, it obtained reports about the work and structure of the Post Settlement Audit Team (PSAT), which is located in the Internal Auditing department. The PSAT was set up during the reporting year on the basis of a settlement with the US regulatory authorities in connection with emission control systems. The team monitors the company's fulfillment of the settlement and, within a specified scope, its compliance with environmental regulations.

### Company and consolidated financial statements 2020

In the meeting held on February 17, 2021, the Audit Committee reviewed and discussed in detail the annual financial statements, the consolidated financial statements and the combined management report including the non-financial declaration for Daimler AG and the Daimler Group for financial year 2020, each of which had been issued with an unqualified auditor's opinion by the external auditors, as well as the declaration on corporate governance and the proposal on the appropriation of profits. At the meeting, the external auditors reported on the results of their audit and focused in particular on the key audit matters and the audit approach applied in each case, including the conclusions drawn. They were also available to answer supplementary questions and to provide additional information. The audit reports on the annual financial statements and consolidated financial statements (including the key audit matters in the audit opinions) and on the internal control system and important issues related to financial reporting were discussed with the external auditors. In addition, the Audit Committee also discussed the risk management system. Following an in-depth review and discussion, the Audit Committee recommended that the Supervisory Board approve the financial statements, the combined management report including the non-financial declaration, the declaration on corporate governance and the recommendation of the Board of Management to pay a dividend of €1.35 per share entitled to a dividend. The Audit Committee also reviewed the independence of the external auditors (including the non-audit fee cap) for the financial year 2020. Furthermore, the Audit Committee approved the Report of the Audit Committee for financial year 2020.

### Self-evaluation

In 2020, the Audit Committee conducted a self-evaluation of its own activities on the basis of an extensive company-specific questionnaire. The results of this self-assessment were once again very positive and were presented and discussed in the meeting on February 17, 2021. This did not result in any need for action with regard to the Committee's tasks, the content, or the procedure of its meetings.

Stuttgart, February 2021

The Audit Committee



Dr. Clemens Börsig  
Chairman

# Declaration on Corporate Governance

Good corporate governance is a precondition for and reflection of the responsible management of a company. The Board of Management and the Supervisory Board aim to align the Group's management and supervision with nationally and internationally recognized standards in order to safeguard sustainable value creation over the long term. With the discontinuation of the Corporate Governance Report as stipulated in the new German Corporate Governance Code in the version dated December 16, 2019, the Declaration on Corporate Governance has, in accordance with Sections 289f, 315d of the German Commercial Code (HGB), become the central instrument for corporate governance reporting. The Board of Management and the Supervisory Board jointly issue the Declaration on Corporate Governance and are responsible for the sections of the report that pertain to them. The Declaration on Corporate Governance has been combined for Daimler AG and the Daimler Group. The following statements thus apply equally to Daimler AG and the Group insofar as not otherwise stated. Pursuant to Section 317 Subsection 2 Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f Subsections 2 and 5 and Section 315d of the HGB is limited to determining whether such statements have actually been provided. The Declaration on Corporate Governance can also be viewed on the Internet at [daimler.com/corpgov/en](https://www.daimler.com/corpgov/en).

Declaration by the Board of Management and the Supervisory Board of Daimler AG pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code

Since the issuance of the last compliance declaration in December 2019, Daimler AG has satisfied all recommendations of the German Corporate Governance Code published in the official section of the German Federal Gazette on April 24, 2017 in the Code version dated February 7, 2017 ("Code 2017"), with the exception of Clause 3.8 Paragraph 3 (D&O insurance deductible for the Supervisory Board) and Clause 5.4.5 Paragraph 1 Sentence 2 (maximum number of supervisory board memberships for members of the management board of a listed corporation).

**D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3, Corporate Governance Code, 2017).** The Directors' & Officers' insurance contains no provision for a deductible for the members of the Supervisory Board that corresponds to the legally required deductible for members of the Board of Management. Given the function-related fixed remuneration without performance bonus components, setting such a deductible for Supervisory Board members would not increase the motivation and sense of responsibility with which its members perform their tasks.

This recommendation is no longer contained in the German Corporate Governance Code in the version dated December 16, 2019.

**Maximum number of supervisory board memberships for members of the management board of a listed corporation (Clause 5.4.5 Paragraph 1 Sentence 2, Corporate Governance Code, 2017).** In accordance with this recommendation, members of the management board of a listed corporation shall not accept more than a total of three supervisory board memberships in non-group listed corporations or on supervisory bodies of non-group entities that make similar requirements.

A parallel recommendation with even stricter requirements can be found in Clause 5 of the German Corporate Governance Code in the version dated December 16, 2019.

Daimler AG satisfies the recommendations of the German Corporate Governance Code published in the official section of the German Federal Gazette on March 20, 2020, in the Code version dated December 16, 2019 ("Code 2019"), with the exception of the recommendations contained in C. 4 and C. 5 (maximum number of supervisory board memberships), and will continue to observe the recommendations with the aforesaid deviations.

**Maximum number of supervisory board memberships (C. 4 and C. 5, Code 2019).** In accordance with the recommendation contained in C. 4, a supervisory board member who is not a member of the management board of a listed corporation shall not serve on more than five supervisory boards of non-group listed corporations or assume similar positions, whereby chairmanship of a supervisory board counts double. In accordance with the recommendation contained in C. 5, members of the management board of a listed corporation shall not accept more than a total of two supervisory board memberships in non-group listed corporations or assume similar positions, nor should they accept a position as chairman of the supervisory board of a non-group listed corporation.

Whether the total number of memberships in non-group listed corporations and similar positions held by members of the Board of Management or the Supervisory Board still seems appropriate should, however, be assessed more appropriately on a case-by-case basis than with a rigid upper limit. The individual workload expected as a result of the total number of memberships held does not necessarily increase in proportion to their number.

Stuttgart, December 2020

For the Supervisory Board  
Dr. Manfred Bischoff  
Chairman

For the Board of Management  
Ola Källenius  
Chairman

This declaration of compliance and previous, no longer applicable, declarations of compliance from the past five years are also available at our website at [🌐 daimler.com/corpgov/en](https://www.daimler.com/corpgov/en).

## The main principles and practices of corporate governance

### The German Corporate Governance Code

Beyond the legal requirements of German stock corporation, codetermination and capital market legislation, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code (“Code”), with the exceptions disclosed and justified in the declaration of compliance.

Daimler AG has followed and continues to fully follow the suggestions of the Code. However, due to the covid-19 pandemic, options for participating in Supervisory Board meetings had to be expanded to include participation via conference calls or video conferences (D.8, Code 2019).

### The principles guiding our conduct

Our business conduct is based on Group-wide standards that go beyond the requirements of relevant legislation and the German Corporate Governance Code. These standards are based on our four corporate values integrity, respect, passion and discipline. In order to achieve long-term and thus sustainable business success on this basis, our goal is to ensure that our activities are in harmony with the environment and society. This is due to the fact that we as one of the world’s leading automakers also strive to be a leader in sustainability. We have defined the most important principles in our Integrity Code, which serves as a frame of reference for all employees at Daimler AG and the Group and supports them in making the right decisions even in difficult business situations.

### Our Integrity Code

Employees from different departments and units throughout the Group and around the world helped us develop our Integrity Code, which was revised in 2019. Our Integrity Code defines the central corporate principles that guide our behavior in daily business, our interpersonal conduct within the company and our conduct toward customers and business partners. These corporate principles include compliance with laws, as well as fairness, transparency, a commitment to diversity, and responsibility. In addition to the corporate principles, our Integrity Code includes requirements and regulations concerning respect for and the protection of human rights and dealing with conflicts of interest. It also prohibits all forms of corruption. The Integrity Code applies to all companies and employees of the Daimler Group worldwide. The Integrity Code is available on the Internet at [🌐 daimler.com/dai/caag](https://www.daimler.com/dai/caag).

We have also reached agreement on “Principles of Social Responsibility” with the World Employee Committee. These principles apply at Daimler AG and throughout the Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers’ rights, freedom of association, sustainable protection of the environment and the proscription of child labor and forced labor. Daimler also commits itself to guaranteeing equal opportunities and adhering to the principle of “equal pay for equal work.”

### Expectations for our business partners

We also require our business partners to adhere to clear stipulations because we regard our business partners' integrity and behavior in conformity with regulations as a precondition for trusting cooperation. When selecting our direct business partners, we therefore pay close attention to ensure that they comply with the law and follow ethical principles, and that they pay the same attention themselves to other partners in the supply chain. For the expectations we place on our business partners, see also [🌐 daimler.com/sus/obr](https://www.daimler.com/sus/obr).

### Risk and compliance management at the Group

Daimler has a risk and compliance management system that is commensurate with its size and global presence and is designed to ensure the continuous and systematic management of business risks and opportunities.

The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. [🔗 Risk and Opportunity Report](#)

Our Compliance Management System (CMS), which has its basis in our culture of integrity, is designed to support the observation of laws and policies in the company and by its employees and to prevent misconduct and systematically minimize compliance risks. More detailed information on the Daimler Compliance Management System can be found in the chapter [🔗 Integrity and Compliance](#).

At least once a year, the Audit Committee of the Supervisory Board of Daimler AG discusses with the Board of Management the effectiveness and functionality of the internal control and auditing system, the risk management system and the compliance management system. The Chairman of the Audit Committee reports to the Supervisory Board on the committee's work at the latest in the next scheduled meeting of the Supervisory Board. The Supervisory Board also deals with the risk management system on the occasion of the audit of the annual company and consolidated financial statements. Between Supervisory Board meetings, the Chairman of the Supervisory Board has regular contact with the Board of Management, and in particular with the Chairman of the Board of Management, to discuss not only the Group's strategy and business development but also issues relating to risk management and compliance. In addition, the Board of Management regularly informs the Audit Committee and the Supervisory Board of the most important risks facing the company and the Group as a whole. The Legal Affairs Committee supports the Supervisory Board in carrying out its tasks with respect to the complex proceedings relating to emissions regulations and antitrust law with which Daimler AG and its subsidiaries are confronted. The Internal Auditing department monitors adherence to the legal framework and to Group standards by means of targeted audits and initiates appropriate actions as required.

### Accounting and the external audit

Daimler prepares its consolidated financial statements and interim financial reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The annual financial statements of Daimler AG are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Daimler prepares both half-yearly and quarterly financial reports. The consolidated financial statements and annual financial statements of Daimler AG are audited by external auditors; interim financial reports are reviewed by external auditors. The consolidated financial statements and the Group management reports are made publicly accessible via the Company's website within 90 days from the end of the reporting year; the interim financial reports are made publicly accessible in the same manner within 45 days from the end of the reporting period.

Based on the recommendation of the Audit Committee, the Supervisory Board submits a proposal to the Shareholders' Meeting for the election of the external auditors for the annual company financial statements, for the consolidated financial statements and for the auditors' review of the interim financial reports. At the Annual Shareholders' Meeting on July 8, 2020, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin was elected to conduct the audit of the annual financial statements and the consolidated financial statements, and the external auditors' review of interim financial reports, for financial year 2020, as well as the external auditors' review of interim financial reports for financial year 2021 in the period leading up to the Shareholders' Meeting in 2021. KPMG AG Wirtschaftsprüfungsgesellschaft has been conducting the audit of the annual company financial statements and consolidated financial statements of Daimler AG since the 1998 financial year; since 2014, the responsible auditor commissioned to carry out the external audit has been Dr. Axel Thümler.

Prior to issuing its recommendation to the Annual Shareholders' Meeting, the Audit Committee of the Supervisory Board obtained a declaration from the external auditors under consideration. The external auditors were requested to state whether any business, financial, personal or other relationships existed between the external auditors and their bodies and audit managers on the one hand, and the Company and the members of its bodies on the other, which could justify concerns regarding a conflict of interest. This statement also describes the extent to which other services were performed for the Daimler Group in the previous financial year or had been contractually agreed upon for the following year.

The Audit Committee instructed the external auditor to immediately inform the Committee Chairman of any indications of partiality or grounds for exclusion uncovered during the audit or the auditors' review of interim financial statements, and of all key findings and events relevant to the tasks of the Supervisory Board, particularly findings or events related to suspected irregularities in accounting. The Audit Committee also reached an agreement with the external auditors stipulating that the external auditors would inform the Audit Committee, and make a note in the audit report, of any facts uncovered during the annual audit that would reveal inaccuracies in the Board of Management's and the Supervisory Board's declaration of compliance with the German Corporate Governance Code.



## Composition and mode of operation of the Board of Management ↗ D.01

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict personal and functional separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management.

### Board of Management

In accordance with the Articles of Incorporation of Daimler AG, the Board of Management has at least two members. The precise number of Board of Management members is determined by the Supervisory Board. The Board of Management had eight members on December 31, 2020. In accordance with German law on the equal participation of women and men in executive positions, the Supervisory Board has set a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section in this declaration on corporate governance. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept, including an age limit, that is embedded in an overall requirements profile. The details of this concept are also described in a separate section in this declaration.

Information on the areas of responsibility and the curricula vitae of the Board of Management members is posted on the Daimler AG website at [daimler.com/dai/bom](https://www.daimler.com/dai/bom). The members of the Board of Management and their areas of responsibility are also listed in the [Board of Management](#).

The Board of Management manages Daimler AG and the Group while taking into consideration the interests of shareholders, employees and other stakeholders, and with the aim of achieving sustainable value creation. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus, defines the corporate goals, and makes decisions concerning corporate planning matters.

Irrespective of the overall responsibility of the Board of Management, the individual members of the Board of Management manage their allocated divisions on their own responsibility and within the framework of the instructions approved by the entire Board of Management. Specific issues defined by the Board of Management as a whole are dealt with by the Board as a whole, which must approve all related decisions. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual financial statements of Daimler AG, the consolidated financial statements, and the combined management report of the Company and the Group, including the non-financial declaration. Together with the Supervisory Board, the Board of Management issues the declaration of compliance with the German Corporate Governance Code each year. It ensures that the provisions of applicable law, official regulations and the internal policies at the Company are adhered to, and works to make sure that the companies of the Group comply with those rules and regulations. The Board of Management has also established an adequate compliance management system that takes into account the Company's risk situation.

The main features of this system are described in the [Integrity and Compliance chapter](#). Such features include the Company's whistleblower system, the BPO (Business Practices Office), which enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

For certain types of transactions defined by the Supervisory Board, the Board of Management requires the prior consent of the Supervisory Board. At regular intervals, the Board of Management reports to the Supervisory Board on the strategy of the divisions, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance matters. The Supervisory Board has specified the information and reporting duties of the Board of Management.

No committees of the Board of Management existed during the reporting period.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at [daimler.com/dai/rop](https://www.daimler.com/dai/rop). Those rules describe, for example, the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

### Diversity

Diversity management has been part of the corporate strategy of Daimler since 2005. We rely on the diversity of our employees and the differences between them because such differences form the foundation for an effective and successful company. The aim of our activities is to bring together the right people to tackle our challenges, to create a work culture that promotes the performance, motivation and satisfaction of our employees and managers, and to help attract new target groups to our products and services. Our activities for shaping diversity at Daimler focus on three areas: best mix, work culture and customer interaction. With our specific measures, activities and initiatives for everything from training formats for employees and managers to workshops, conferences, policies and target group-specific communication and awareness-raising measures, our diversity management system makes a major contribution to the further development of our corporate culture.

Targeted support for women on the basis of the best-mix principle was a central component of our diversity management activities even before the legislation on the equal participation of women and men in executive positions went into effect. Such support has also included and continues to include flexible working-time arrangements, company nurseries and special mentoring programs for women. In order to meet legal requirements, the Board of Management of Daimler AG has defined targets for the proportion of women at the two management levels below the Board of Management and a deadline for achieving those targets. The details are described in a separate section. Independently of the legal requirements, Daimler continues to affirm the goal it already set itself in 2006 of increasing the proportion of women in executive positions at the Group (with the exception of Daimler Greater China and Trucks Asia) to 20% by 2020. We have achieved this goal and beginning in 2021, we plan to further increase the proportion of women in executive positions at the Group worldwide by one percentage point each year.



## Composition and mode of operation of the Supervisory Board and its committees

### Supervisory Board

In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Shareholders' Meeting. The other half comprises members who are elected by the Group's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

Information on the curricula vitae of the members of the Supervisory Board and their other memberships is posted on our website at [daimler.com/dai/sb](https://daimler.com/dai/sb). The Supervisory Board is to be composed so that its members together are knowledgeable about the business sector in which the Company operates and also dispose of the knowledge, skills and specialist experience that are required for the proper execution of their tasks. According to the law on the equal participation of women and men in executive positions, at least 30% of the members of the Supervisory Board of Daimler AG must be women and at least 30% must be men. The details are described in a separate section in this declaration on corporate governance. With regard to its composition, the Supervisory Board has also created an overall requirements profile consisting of a skills profile and a diversity concept, including an age limit, to be applied to the entire Supervisory Board. The details on the overall requirements profile are also summarized in a separate section in this declaration. Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, aim to fulfill the overall requirements profile of the Supervisory Board as a whole.

The members of the Supervisory Board attend on their own responsibility courses of training and further training that might be necessary for the performance of their tasks, and are supported by the Company in doing so. Such courses may address corporate governance, changes brought about by new legislation, or the launch of new products and pioneering technologies, for example. New members of the Supervisory Board are offered an "onboarding" program that gives them the opportunity to exchange views with members of the Board of Management and other executives on current issues related to the various areas of responsibility of the Board of Management, and thus to obtain an overview of important topics at the Group.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Group. At regular intervals, the Board of Management reports to the Supervisory Board on the strategy of the divisions, corporate planning, revenue development, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance matters. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, to the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

The Supervisory Board's duties include appointing and, if necessary, recalling the members of the Board of Management. In the past, initial appointments were usually made for a maximum period of three years. Beginning in 2021, this maximum term will apply to all initial appointments. In accordance with German legislation on equal participation by women and men in executive positions, the Supervisory Board has defined a target for the proportion of women on the Board of Management and a deadline for achieving this target. The details are described in a separate section in this declaration on corporate governance. With regard to the composition of the Board of Management, the Supervisory Board has also adopted a diversity concept that is embedded in an overall requirements profile. The details of this concept are also described in a separate section in this declaration.

The Supervisory Board decides on the system of remuneration for the Board of Management, reviews it regularly, and on this basis determines the total individual remuneration of each member of the Board of Management. In this process, it considers a comparison with an appropriate peer group at other companies, as well as the ratio of Board of Management remuneration to the remuneration of the senior executives and the workforce as a whole, also with regard to development over time. For this comparison, the Supervisory Board has defined the senior executives by applying Daimler's internal terminology for the hierarchical levels and has defined the workforce of Daimler AG in Germany as the relevant workforce. Variable components of remuneration are generally based on an assessment period that lasts several years and is essentially future-oriented. Multi-year variable remuneration components are not paid out until they come due. The Supervisory Board has set upper limits for individual Board of Management remuneration in total and with regard to its variable components. The remuneration system for the Board of Management was approved by the Annual Shareholders' Meeting in 2020 with a majority of 95.33%. Further information on Board of Management remuneration can be found in the [Remuneration Report](#).

The Supervisory Board reviews the annual financial statements, the consolidated financial statements and the combined management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the combined management report. Upon being approved, the annual financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The [Report of the Supervisory Board](#) for financial year 2020 is available in this Annual Report and on the Internet at [daimler.com/dai/sb](https://daimler.com/dai/sb).

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. These rules of procedure also contain provisions on how to avoid conflicts of interest.

The rules of procedure of the Supervisory Board can be viewed on our website at [daimler.com/dai/rop](https://daimler.com/dai/rop).

The Supervisory Board meetings during the reporting period once again included executive sessions on a regular basis for discussions of individual topics in the absence of the members of the Board of Management. The Supervisory Board members can also take part in the meetings by means of conference calls or video conferences. Due to the covid-19 pandemic, these participation options had to be used more frequently during financial year 2020, although this type of participation would otherwise remain the exception.

The Supervisory Board regularly assesses how effectively the Supervisory Board and its committees perform their tasks. In financial year 2020 the Supervisory Board conducted an externally moderated self-assessment. An online survey and supplemental interviews that covered all of the main aspects of the work of the Supervisory Board and its committees were conducted for this process. The results of this self-assessment, which the Supervisory Board studied in depth at its meeting on February 17, 2021, confirmed the professional, very good and very trusting cooperation within the Supervisory Board and with the Board of Management. It did not reveal any fundamental need for change.

Independently of the Supervisory Board's efficiency review, the Audit Committee also again conducted a self-assessment of its own activities on the basis of an extensive company-specific questionnaire in 2020. The results of this self-assessment were once again very positive and were presented and discussed in the meeting of the Audit Committee on February 17, 2021. This process did not determine a need for change.

On December 31, 2020, the Supervisory Board had, in addition to the legally required Mediation Committee, four additional committees that perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. Those rules of procedure can be viewed on our website at [daimler.com/dai/rop](https://daimler.com/dai/rop). Information on the current composition of these committees can be viewed at [daimler.com/dai/sbc](https://daimler.com/dai/sbc).

### Presidential Committee

The Presidential Committee is composed of the Chairman of the Supervisory Board, Dr. Manfred Bischoff (who is also the Committee Chairman), his Deputy, Michael Brecht, and two other members, who are elected by the Supervisory Board. During the reporting period, these two additional members were Dr. Jürgen Hambrecht and Roman Zitzelsberger.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management, taking into account the overall requirements profile the Supervisory Board has defined to be filled, including the diversity concept, as well as the Supervisory Board's target for the proportion of women on the Board of Management. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate total individual remuneration of its members. The Presidential Committee is also responsible for the Board of Management members' contractual affairs. In addition, it decides on the granting of approval for sideline activities of the members of the Board of Management, and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management.

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

The independent ESG experts of the Advisory Board for Integrity and Corporate Responsibility ([Non-Financial Declaration](#)) communicate with members of the Presidential Committee. As they come from the fields of science and business, as well as from civic organizations, these experts utilize an external point of view to offer critical and constructive support for the integrity and corporate responsibility process at Daimler. They have extensive experience with issues relating to ethical conduct and transportation and environmental policy. As important providers of new ideas, they contribute their various viewpoints to discussions, involving, among other things, the ethical aspects of autonomous driving, the methods for measuring progress with integrity-related issues, and external perspectives concerning the current debate about emissions and Daimler's approach to protecting human rights.

### Nomination Committee

During the reporting period, the Nomination Committee was composed of three members, who were elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. With effect from January 1, 2021, the Chairman of the Supervisory Board, by virtue of the Rules of Procedure, is member and chairman of the Nomination Committee while two more members are still to be elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. The members in financial year 2020 were Dr. Manfred Bischoff (Chairman of the Nomination Committee), Sari Baldauf and, until July 8, 2020, Dr. Paul Achleitner; Dr. Bernd Pischetsrieder was a member from July 9, 2020, on. The Nomination Committee is the only Supervisory Board committee that consists solely of members representing the shareholders. It makes recommendations to the Supervisory Board concerning persons to be proposed for

election as members of the Supervisory Board representing the shareholders at the Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of German law on equal participation of women and men in executive positions and also strives to ensure the fulfillment of the overall requirements profile, including the skills profile, for the entire Supervisory Board.

#### **Audit Committee**

The Audit Committee is composed of four members, who are elected by a majority of the votes cast by the members of the Supervisory Board. The members of the Audit Committee in financial year 2020 were shareholder representatives Dr. Clemens Börsig (Chairman of the Audit Committee) and Joe Kaeser and employee representatives Michael Brecht and Ergun Lümali.

Both the Chairman of the Audit Committee, Dr. Clemens Börsig, and the other shareholder representative on the Audit Committee, Joe Kaeser, fulfill the criteria for independence and have expertise in the field of financial reporting, as well as special knowledge and experience with regard to auditing and methods of internal control.

The Audit Committee deals with the supervision of the accounting and its process as well as with the annual audit. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the internal control and risk management system, the internal auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the whistleblower system BPO (Business Practices Office) on complaints and information about any breaches of regulations or guidelines by high-level executives, as well as violations by other employees of the regulations in a defined catalog of legal provisions. It regularly receives information about the handling of these complaints and notifications.

The Audit Committee discusses with the Board of Management the interim reports before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements, and on the appropriation of profits. The Committee also makes recommendations for the Supervisory Board's proposal on the election of external auditors, assesses those auditors' suitability, qualifications and independence, and, after the external auditors are elected by the Annual Shareholders' Meeting, it engages them to conduct the audit of the consolidated financial statements and the annual financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting that might be discovered during the audit.

Finally, the Audit Committee approves in advance permitted services that are not directly related to the annual audit and which are provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

#### **Legal Affairs Committee**

The Legal Affairs Committee is composed of six members, who are elected by a majority of the votes cast by the members of the Supervisory Board. The members of the Legal Affairs Committee during the reporting period were shareholder representatives Dr. Clemens Börsig (Chairman of the Legal Affairs Committee), Dr. Manfred Bischoff and Marie Wieck and employee representatives Michael Brecht, Michael Häberle and Sibylle Wankel. The committee coordinates the exercise and performance of the rights and obligations of the Supervisory Board with regard to ongoing legal proceedings relating to emissions regulations and antitrust law with which Daimler AG and Group companies are confronted. It also prepares and recommends associated resolutions for adoption by the Supervisory Board. Within the framework of the agreement in principle reached in the reporting period with various US authorities concerning the settlement of civil and environmental law proceedings in connection with the emissions control systems of certain diesel vehicles, the Committee was assigned additional tasks and granted expanded decision-making authority with regard to fulfilling the obligations stipulated in the agreements in principle. These additional tasks include the control and supervision of the Post Settlement Audit Team that was set up as part of this agreement in principle.

#### **Mediation Committee**

As prescribed by law, the Mediation Committee is composed of the Chairman of the Supervisory Board, Dr. Manfred Bischoff, and his Deputy, Michael Brecht, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast by the shareholders' and employees' representatives, respectively. During the reporting period, these two additional members were Dr. Jürgen Hambrecht for the shareholders and Roman Zitzelsberger for the employees. The Mediation Committee is formed solely to perform the function laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). As in previous years, the Mediation Committee did not have to take any action in financial year 2020.

## Germany's law on the equal participation of women and men in executive positions

In accordance with German legislation on equal participation by women and men in executive positions in both the private and the public sector, the supervisory boards of listed companies or companies subject to Germany's system of codetermination have to set a target for the proportion of women on their boards of management. The board of management of such a company has to set a target for the proportion of women at the two management levels below that of the board of management. If the proportions of women at the time when these targets are set by the board of management and the supervisory board are below 30%, the targets may not be lower than the proportions already reached. At the same time that the targets are set, the boards have to set periods for their achievement, which may not be longer than five years.

On December 8, 2016, the Supervisory Board of Daimler AG passed a resolution stipulating that the target figure for the proportion of women on the Board of Management of Daimler AG would be 12.5%, while the deadline would be December 31, 2020. As of December 31, 2020, the eight-member Board of Management included two women, Renata Jungo Brüngger and Britta Seeger. This means that women account for 25% of the Board of Management members. On December 3, 2020, the Supervisory Board of Daimler AG passed a resolution stipulating that the target figure for the proportion of women on the Board of Management of Daimler AG would be 25%, while the deadline would be December 31, 2025.

On November 8, 2016, the Board of Management passed a resolution stipulating a target of 15% women for both the first and second management levels of Daimler AG below the Board of Management, with a deadline of December 31, 2020. At the time of the resolution, the proportion of women at the first and second management levels below the Board of Management was 8.0% and 12.4%, respectively. As of December 31, 2020, the proportion of women at the first management level below the Board of Management was 11.8%; at the second level it was 23.5%. The target for the first management level below the Board of Management could not be reached by December 31, 2020. At the time the target was set in 2016, the deconsolidation of the Cars & Vans and Trucks & Buses divisions to the newly established Mercedes-Benz AG and Daimler Truck AG in financial year 2019 was not yet foreseeable. As a result of the deconsolidation, many management positions were transferred from Daimler AG to Mercedes-Benz AG and Daimler Truck AG. Because of this, Daimler AG has very few management positions overall at the first level below the Board of Management. The target could no longer be achieved for these positions in financial year 2020. However, only a single woman still had to be appointed to reach the target.

The Board of Management of Daimler AG has also set itself the goal for the coming year of further increasing the proportion of women in top management positions. On November 25, 2020, the Board of Management therefore passed a resolution stipulating a target of 20% women for the first management level below the Board of Management and 25% for the second management level below the Board of Management, with a deadline of December 31, 2025.

Listed companies that have supervisory boards in which shareholders and employees are equally represented are required to have a proportion of at least 30% women and 30% men. This requirement has to be fulfilled by the Supervisory Board as a whole. If the side of the Supervisory Board representing the shareholders or the side representing the employees objects to the Chairman of the Supervisory Board about the application of the ratio to the entire Supervisory Board, the minimum ratio is to apply separately to the shareholders' side and to the employees' side for that election.

As of December 31, 2020, 30% of the shareholder representatives on the Supervisory Board of Daimler AG were women (Sari Baldauf, Petraea Heynike and Marie Wieck), while 70% were men. On that date, 30% of the employee representatives on the Supervisory Board were women (Elke Tönjes-Werner, Sibylle Wankel and Dr. Sabine Zimmer), while 70% were men. In its meeting on December 3, 2020, the Supervisory Board considered its nominations for the election at the 2021 Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2021 Annual Shareholders' Meeting that Elizabeth Centoni, Ben van Beurden and Dr. Martin Bruder Müller be elected to the Supervisory Board. The legally required gender ratio will be met both on the shareholder representatives' side and for the Supervisory Board as a whole if these persons are elected to the Supervisory Board, provided that no other changes occur.

Along with Daimler AG itself, there are other Group companies subject to codetermination law. These companies have defined their own targets for the proportion of women on their supervisory boards, executive management bodies and the two levels below the board or executive management level, and have also set deadlines for target achievement. All relevant information here has been published in accordance with applicable law.

## Overall requirements profiles for the composition of the Board of Management and the Supervisory Board

In terms of the composition of the Board of Management and the Supervisory Board, Daimler AG utilizes diversity concepts that focus on aspects such as age, gender, education and professional background. The Supervisory Board has combined these diversity concepts with the requirements of German legislation regarding equal participation of women and men in executive positions and other requirements relating to the expertise that members of these executive management bodies need to possess. These combined requirements are presented in the overall requirements profiles for the composition of the Board of Management and Supervisory Board described below. The requirements profiles are reviewed each year and also serve as the basis for long-term succession planning.

### Board of Management

The requirements profile for the Board of Management of Daimler AG aims for a Board of Management with excellent leadership skills that is as diverse and mutually supportive as possible. The Board of Management as a whole should possess the knowledge, skills and experience required for the proper execution of its tasks and be composed of members whose varied personal backgrounds and experiences ensure that the Board as a whole also embodies the desired management philosophy. Decisions regarding appointments to specific positions on the Board of Management are always governed by the Company's interests under consideration of all circumstances in each case.

During the reporting period, the requirements profile for the Board of Management included the following aspects in particular:

- The members of the Board of Management should have different educational and professional backgrounds, whereby at least two members should have a technical background. With Markus Schäfer and Wilfried Porth, as of December 31, 2020 the Board of Management had two members who are engineers. Since taking over as Head of Group Research & Mercedes-Benz Cars Development on January 1, 2017, Ola Källenius has sustainably displayed his technical expertise.
- On December 8, 2016, the Supervisory Board defined a target of 12.5% for the proportion of women on the Board of Management, with a deadline of December 31, 2020. The Board of Management currently has two female members, Renata Jungo Brüngger and Britta Seeger. This means the proportion of women on the Board of Management was 25% on December 31, 2020.
- As a rule, 62 years of age serves as orientation for age-related retirement. When it set this age limit, the Supervisory Board deliberately decided in favor of a flexible rule allowing the required scope for the appropriate assessment of the circumstances of each individual case. As of December 31, 2020, all eight Board of Management members were younger than the age limit.
- In addition, a sufficient generational mix among Board of Management members is to be taken into account in appointment decisions, whereby if possible at least three members of the Board of Management should be 57 years of age or younger at the beginning of their respective term of office. This is the case for all current members of the Board of Management, with the exception of Wilfried Porth.
- Decisions related to the composition of the Board of Management should also take into account internationality in the sense of varied cultural backgrounds or international experience through assignments abroad lasting several years, whereby if possible, at least one member of the Board of Management should come from a country other than Germany. Irrespective of the many years of international experience of a large majority of members of the Board of Management, this target was achieved as of December 31, 2020 due to the international origins of Ola Källenius and Renata Jungo Brüngger and through Hubertus Troska's focus on activities in China.
- Members of the Board of Management do not hold more than three memberships of supervisory boards of non-group listed corporations or of supervisory board committees at non-Group companies that have comparable requirements. This stipulation was met as of December 31, 2020. The only listed company in which Hubertus Troska is a member of a supervisory board or similar board outside the Daimler Group is BAIC Motor Corporation Ltd. Hubertus Troska's other board memberships are at joint ventures that fall within his areas of responsibility and that do not have comparable requirements to a board membership at a listed company outside the Group. The same applies to the external board memberships of Britta Seeger. In spite of this, a deviation from the new German Corporate Governance Code's recommendation regarding the maximum number of board memberships for board members of listed corporations has been disclosed and explained in the declaration of compliance for 2020. The new Code 2019 reduces this recommended maximum number relative to the Code 2017 from three to two supervisory board memberships or similar positions and further recommends that board members of listed corporations should not accept a position as chairman of a supervisory board in a non-group listed corporation.

The Supervisory Board has made adjustments to two aspects of the requirements profile for members of the Board of Management, with effect from January 1, 2021:

- In the future, the unchanged age limit of 62 for members of the Board of Management will apply to the beginning of the term of office of the Board of Management member in question.
- In view of the recommendations contained in the new German Corporate Governance Code in the version dated December 16, 2019, the members of the Board of Management shall generally not accept more than two supervisory board memberships in listed corporations or assume similar positions, nor shall they accept a position as chairman of the supervisory board of a listed corporation, whereby any deviation from this principle shall be disclosed in the annual declaration of compliance. The supervisory board memberships of Board of Management members in joint ventures that fall within their areas of responsibility are not considered similar positions within the meaning of the requirements profile.

The requirements profile for the Board of Management otherwise remains unchanged. The aspects described above are to be taken into consideration when making Board of Management appointments. On the basis of a target profile that takes into account specific qualification requirements and the above-mentioned criteria, the Presidential Committee creates a shortlist of available candidates whom it interviews. It then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. Decisions regarding appointments to the Board of Management are always governed by the Company's interests under consideration of all circumstances in each individual case. In the Supervisory Board's view, fundamental personal criteria that make a person suited for a Board of Management position include, in particular, the individual's personality, integrity, credible leadership qualities, expertise for the division he or she will head, previous achievements, knowledge of the Company, and the ability to adapt business models and processes in a changing world.

In cooperation with the Board of Management, the Supervisory Board also ensures a long-term succession plan for the Board of Management, for which it takes the requirements profile and the individual circumstances into account. The Supervisory Board's Presidential Committee regularly holds discussions about the Company's talented and extraordinary leaders. In doing so, it discusses the duration of the contracts of current Board of Management members and the possibility of extending them as well as potential successors. Executives at the management level below the Board of Management and people of especially high potential are evaluated on the basis of an analysis of potential and the criteria of the requirements profile. The next development steps are then discussed and defined in cooperation with the Board of Management. The successor planning process also includes a regular report from the Board of Management regarding the proportion and development of the women managers, particularly with regard to the first and second management levels below that of the Board of Management. The Board of Management has to recommend a sufficient number of candidates to the Supervisory Board. Daimler AG wishes to primarily fill Board of Management positions with managers that have risen within the Company. Despite this, it also evaluates potential external candidates for specific cases with the help of external human resources consultants and considers them in the selection procedure.

### Supervisory Board

The Supervisory Board is to be composed so that its members together are knowledgeable about the business sector in which the Company operates.

The requirements profile for the Supervisory Board of Daimler AG also aims at a Supervisory Board as diverse and mutually complementary as possible. The Supervisory Board as a whole shall understand the Company's business model and also possess the knowledge, skills and experience needed to properly execute its task of supervising and advising the Board of Management, in particular specialized knowledge in the areas of finance, accounting, annual audits, risk management, methods of internal control and compliance. In general, the members of the Supervisory Board should complement one another with regard to their specialist knowledge and professional experience in such a manner as to ensure that the Supervisory Board can utilize the most broadly based wealth of experience and

expertise possible when making decisions. The Supervisory Board also views the diversity of its members in terms of age, gender, internationality and other personal attributes as an important foundation for effective cooperation. The foundation for Supervisory Board decisions regarding proposals on candidates for election at the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

During the reporting period, the requirements profile for the Supervisory Board included the following aspects in particular:

- The members of the Supervisory Board should have different educational and professional backgrounds. At least five members should have completed a vocational technical training or education program or possess specific technological knowledge in fields such as information technology (including digitalization), chemistry, mechanical engineering or electrical engineering. Decisions related to the composition of the Supervisory Board should also take into account the fact that it may be necessary for members to obtain new skills and knowledge in order to be able to address product and market developments. Irrespective of the specific knowledge in the above-mentioned areas acquired by many members of the Supervisory Board in other functions, as of December 31, 2020, Marie Wieck, Dr. Jürgen Hambrecht, Dr. Bernd Pischetsrieder, Dr. Frank Weber and Roman Zitzelsberger (three shareholder representatives and two employee representatives) had relevant university degrees, while another three employee representatives had completed vocational training in the above-mentioned fields or similar areas.
- The gender composition of the Supervisory Board meets the legal requirement stipulating that at least 30% of the members of the Supervisory Board must be women and at least 30% must be men. As of December 31, 2020, the Supervisory Board had three women who represent shareholders and three women who represent employees. The proportion of women is thus 30% among the shareholder representatives, the employee representatives and the Supervisory Board as a whole.
- Candidates for election to the Supervisory Board who are to hold the position for a full term of office should generally not be over the age of 72 at the time of the election. In specifying this age limit, the Supervisory Board has intentionally refrained from stipulating a strict upper age limit and instead decided in favor of a flexible general limit that leaves scope to appropriately assess each individual case, keeps the range of potential Supervisory Board candidates sufficiently broad and allows reelection. In deciding to propose Dr. Manfred Bischoff for reelection as a shareholder representative on the Supervisory Board at the Shareholders' Meeting in 2016, it made use of this scope after careful consideration and proper assessment. All other members of the Supervisory Board during the reporting period, and the candidates who are to be proposed for election at the 2021 Annual Shareholders' Meeting, will not have reached the age limit at the time of their election.
- A sufficient generational mix among Supervisory Board members is also to be taken into account in appointment decisions. At least eight members of the Supervisory Board should be no older than 62 years of age at the time of their



election or reelection. As of December 31, 2020, all members of the Supervisory Board except Sari Baldauf, Petraea Heynike, Dr. Manfred Bischoff, Dr. Clemens Börsig, Dr. Jürgen Hambrecht and Dr. Bernd Pischetsrieder (i.e. 14 members) were 62 or younger when they were elected to their current term. None of the three candidates who are to be proposed for election at the 2021 Annual Shareholders' Meeting will be older than 62 years of age at the time the election takes place on March 31, 2021.

- In order to ensure sufficient internationality, for example by means of many years of international experience, the Supervisory Board has set a target of a proportion of at least 30% of international members representing the shareholders and the resulting proportion of at least 15% of the entire Supervisory Board. Irrespective of the many years of international experience of a large majority of the shareholder representatives on the Supervisory Board, this target was overachieved as of December 31, 2020, with 25% for the entire Supervisory Board due to the international origins of Bader Al Saad, Sari Baldauf, Petraea Heynike and Marie Wieck on the shareholders' side (40%) and Raymond Curry on the employees' side.
- At least half of the members of the Supervisory Board representing the shareholders should have
  - neither an advisory nor a board function for a customer, supplier, creditor or other third party,
  - nor a business or personal relationship with the company or its boards,
 whose specific form could cause a conflict of interest.

Under the premise that the performance of Supervisory Board duties as an employee representative does not by itself constitute a potential conflict of interest, the requirements described here are deemed to be met by at least 15 members of the Supervisory Board.

As described in the [Report of the Supervisory Board](#), certain individual Supervisory Board members did not participate in deliberations on certain specific agenda items during the reporting period in order to avoid the appearance of potential conflicts of interest in particular situations. Sari Baldauf, for example, did not participate in discussions relating to the patent disputes between Daimler and Nokia. In addition, Dr. Bernd Pischetsrieder and Dr. Jürgen Hambrecht took highly precautionary measures to avoid potential conflicts of interest by not participating in several meetings that addressed legal proceedings relating to diesel exhaust gas emissions. As a result, in the case of at least half of the shareholder representatives on the Supervisory Board, all of the employee representatives, and thus at least 15 members of the entire Supervisory Board, there were no indications of potential conflicts of interest during the reporting period based on the premise described above.

- In order to ensure the independent advice to, and supervision of, the Board of Management by the Supervisory Board, more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code. The Supervisory Board may not include more than two former members of the Board of Management of Daimler AG or anyone who is a member of a board of, or advises, a significant competitor of the Daimler Group. Under the premise that the

performance of Supervisory Board duties as an employee representative does not in itself call into question the independence of such an employee representative in this sense, at least 15 members of the Supervisory Board are also deemed to be independent.

The Supervisory Board itself, or the shareholder representatives themselves, are responsible for assessing the independence of Supervisory Board members. Based on information that is known today, there are, in the view of the shareholder representatives, no indications for any members of the Supervisory Board representing the shareholders that relevant personal or business relationships or circumstances exist, in particular with the Company, members of the Board of Management or other Supervisory Board members, that could be construed as a substantial and permanent conflict of interest that would compromise the independence of a shareholder representative. In the view of the Supervisory Board and under the premise described above with regard to employee representatives, this assessment also applies to all Supervisory Board members representing the employees. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor. The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management.

In the final analysis, the independence of Supervisory Board member Bader Al Saad is not compromised by his membership of the Executive Committee of the Board of Directors of the Kuwait Investment Authority. The Kuwait Investment Authority is not a controlling shareholder of Daimler AG that could attain an effective majority at an Annual Shareholders' Meeting. No other discernible circumstances exist that might call into question the independence of Bader Al Saad. The mandate of Supervisory Board member Roman Zitzelsberger as a member and as the Deputy Chairman of the codetermined Supervisory Board of ZF Friedrichshafen AG, a significant supplier to the Daimler Group, cannot per se give rise to a substantial and not merely temporary conflict of interest. On the one hand, this is not an executive, but rather a non-executive mandate. On the other, the Deputy Chairman of the Supervisory Board of a codetermined company does not have the right of the Chairman of the Supervisory Board to a casting vote in the event of a tie and renewed voting even in the absence of the Chairman.

The new recommendations in the German Corporate Governance Code in the version dated December 16, 2019 regarding the independence of members of supervisory boards went into effect on March 20, 2020. According to these recommendations, the Supervisory Board should, while also taking the ownership structure into consideration, include what the shareholder representatives believe to be an adequate number of independent shareholder representatives as members of the Supervisory Board. Within the meaning of the German Corporate Governance Code, a Supervisory Board member is to be considered independent if he or she is independent of the Company and its Board of Management and of any controlling shareholder, whereby Daimler AG has no controlling shareholder. Another new rule states that the recommendations contained in Code 2019 regarding the independence of members of codetermined supervisory boards only apply to shareholder representatives.

The new Code recommends that more than half of the members of the Supervisory Board representing the shareholders are to be independent of the Company and its Board of Management – and these members must always include the Chairman of the Supervisory Board, the Chairman of the Audit Committee and the Chairman of the committee that makes decisions regarding remuneration for the Board of Management. Within the meaning of this recommendation, a Supervisory Board member is to be considered independent if he or she has no personal or business relationship with the Company or its Board of Management that may cause a substantial and not merely temporary conflict of interest. It is up to the shareholders' side of the Supervisory Board to assess the independence of members on the shareholders' side. Four indicators of a possible lack of independence are to be considered here: membership of the Board of Management within a period of two years prior to the appointment as a member of the Supervisory Board; a material business relationship with the Company or an enterprise dependent upon it – e.g. as a customer, supplier, creditor or advisor; a close family relationship with a member of the Board of Management; membership in the Supervisory Board for more than twelve years. All criteria here apply to both Supervisory Board members themselves and to members of their immediate families. At the same time, the shareholders' side is expressly granted the right to consider a Supervisory Board member independent if one or even multiple indicators apply. However, this view of the Supervisory Board member as independent must be justified in the Declaration on Corporate Governance.

The shareholder representatives on the Supervisory Board of Daimler AG have concluded that as of December 31, 2020, all members of the Supervisory Board representing the shareholders were independent of Daimler AG and its Board of Management. This includes the Chairman of the Supervisory Board, who is also the Chairman of the Presidential Committee, which at Daimler AG addresses issues including those relating to remuneration for the Board of Management, and the Chairman of the Audit Committee.

Even under consideration of the indicators used in the new Corporate Governance Code 2019, no Supervisory Board member representing the shareholders has a personal or business relationship with Daimler AG or its Board of Management that may cause a substantial and not merely temporary conflict of interest. The patent dispute between Daimler and Nokia does not represent a set of circumstances that might cause a substantial and not merely temporary conflict of interest for Sari Baldauf, nor is this the case with regard to the past memberships of Dr. Jürgen Hambrecht or Dr. Bernd Pischetsrieder. Joe Kaeser and Timotheus Höttges, as the CEOs of Siemens AG and Deutsche Telekom AG, respectively, do not have in their capacity as CEO any material business relationship with Daimler AG or an enterprise dependent upon Daimler AG, within the meaning of the German Corporate Governance Code. The volume of goods/services procured by Daimler from Siemens and Deutsche Telekom is very low.

The Chairman of the Supervisory Board, Dr. Manfred Bischoff, and the Chairman of the Audit Committee, Dr. Clemens Börsig, as well as Dr. Jürgen Hambrecht and Sari Baldauf have been members of the Supervisory Board for more than 12 years. However, these Supervisory Board

members also consistently maintain the required critical distance from the Company and its Board of Management and employ the clear, vigilant and critical approach required for their supervision of the Board of Management. All four of these members' administration of their offices has demonstrated that they perform their duties and carry out their various functions on the Supervisory Board's committees in an exemplary manner. In addition, their many years of experience and expertise are of crucial importance for ensuring that the Supervisory Board can effectively serve as a critical monitor of, and key and trusted advisor to, the Board of Management. This is especially true with regard to Dr. Manfred Bischoff in his capacity as Chairman of the Supervisory Board, and thus the primary contact for the Board of Management as well, and to Dr. Clemens Börsig in his capacity as Chairman of the Audit Committee and Chairman of the Legal Affairs Committee. The experience and knowledge of the Company they bring to the prominent positions they hold ensure stability and reliability. The Supervisory Board believes that the stability and reliability of measures taken to supervise and advise the Board of Management represent an important component for ensuring the sustained success of the Company, particularly in the current economic environment, which is making the extensive transformation of the automotive industry an even more difficult process. In conclusion, for these reasons, in the view of the shareholder representatives, all members of the Supervisory Board representing the shareholders – i.e. Dr. Manfred Bischoff, Bader M. Al Saad, Sari Baldauf, Dr. Clemens Börsig, Dr. Jürgen Hambrecht, Petraea Heynike, Timotheus Höttges, Joe Kaeser, Dr. Bernd Pischetsrieder and Marie Wieck – are to be considered independent.

- In accordance with the previous requirements profile, only candidates who have not yet been members of the Supervisory Board for three full terms of office at the time of their election should generally be nominated for membership of the Supervisory Board for a full term of office. This general length of service on the Supervisory Board has not been exceeded by any current member. The indicator of a possible lack of independence due to membership of the Supervisory Board for more than twelve years that was introduced in the new German Corporate Governance Code (Code 2019), and with regard to which the members of the Supervisory Board representing the shareholders may take a different view, is taken into account in the updated requirements profile, with effect from January 1, 2021.
- Candidates for membership of the Supervisory Board and members of the Supervisory Board must have sufficient time available to perform their duties. They must also be willing and able to dedicate themselves to their tasks and to participate in all courses of training and further training that might be necessary for the performance of their tasks.
- In accordance with the previous requirements profile and the German Corporate Governance Code in the version dated February 7, 2017, no member of the Supervisory Board who is also a member of the board of management of a listed company may hold more than three memberships of supervisory boards of listed companies (including his or her membership of the Supervisory Board of Daimler AG) or of supervisory bodies of other companies with similar requirements outside of the group of his or her board of management membership. In accordance with the requirements

profile, membership of two supervisory boards within the Daimler Group is not taken into account. In light of this, with regard to the additional memberships of Joe Kaeser, a deviation from the recommendation in the Code (2017) that serves as the basis for defining the maximum number of memberships of the requirements profile, as well as a deviation from the stricter maximum number of memberships recommended in the new Code (2019), were nevertheless disclosed and explained in the declaration of compliance from December 2020. The updated requirements profile, which went into effect on January 1, 2021, takes into account the stricter recommendation in the new Code (2019).

- In accordance with the previous requirements profile, members of the Supervisory Board who are not also members of the board of management of a listed company shall generally be permitted membership on a maximum of eight supervisory boards (including that of Daimler AG), whereby chairmanship of a supervisory board counts double. This maximum number was not exceeded by any member of the Supervisory Board during the reporting period. Nonetheless, a deviation from the maximum number of memberships for supervisory board members who are not members of the board of a listed corporation recommended in the new Code (2019) was disclosed and explained in the declaration of compliance from December 2020. Pursuant to the Code (2019) such supervisory board members shall not accept more than five memberships of supervisory boards of non-Group listed corporations or comparable positions, whereby chairmanship of a supervisory board counts double.

The Supervisory Board has made adjustments to three aspects of the requirements profile for members of the Supervisory Board, with effect from January 1, 2021:

- **Independence:** Conditional upon the disclosure of a deviation in the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), more than half of the members of the Supervisory Board representing the shareholders are to be independent of the Company and its Board of Management; the provision regarding an adequate number of members without any potential conflict of interest no longer applies, nor does the provision regarding an adequate number of independent members in relation to the Supervisory Board as a whole.
- **General limit on length of service:** Candidates for (re)election to the Supervisory Board should generally not have already served on the Supervisory Board for 12 years.
- **Maximum number of memberships:** Members of the boards of management of listed companies shall generally not accept more than a total of two supervisory board memberships in non-group listed corporations (including their membership of the Supervisory Board of Daimler AG) or similar positions, nor should they accept a position as chairman of the supervisory board of a non-group listed corporation, whereby any deviation from this principle must be disclosed in the annual declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG); other members of the Supervisory Board shall generally not accept more than a total of five supervisory board memberships in non-group listed corporations (including their membership on the Supervisory Board of Daimler AG) or similar positions, whereby chairmanship of a supervisory board

counts double. For the purposes of the requirements profile, membership of Daimler AG Supervisory Board members on two supervisory bodies within the Daimler Group is still not taken into account.

The requirements profile otherwise remains unchanged.

Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as Supervisory Board members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, shall take into consideration the aspects described above and aim at fulfilling the overall requirements profile for the Supervisory Board as a whole. On the basis of a target profile that takes into account specific qualification requirements and the above-mentioned criteria, the Nomination Committee creates a short-list of available candidates with whom it conducts structured discussions in which it also determines whether the candidate in question will have sufficient time available to perform his or her duties on the Supervisory Board with due care. The Nomination Committee then recommends a candidate to the Supervisory Board for its approval and includes an explanation of its recommendation. The foundation for Supervisory Board decisions regarding proposals on candidates for election at the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

The Supervisory Board candidates Elizabeth Centoni, Ben van Beurden and Dr. Martin Bruder Müller will be nominated for election at the Annual Shareholders' Meeting 2021 for the first time. These candidates fulfill and strengthen the requirements profile of the Supervisory Board.

Elizabeth Centoni, Senior Vice President Strategy and Emerging Technology & Incubation of Cisco Systems, has a bachelor's degree in chemistry as well as many years of experience with software services, cloud computing and the Internet of Things. Ben van Beurden, Chief Executive Officer of Royal Dutch Shell plc, has a master's degree in chemical engineering and Dr. Martin Bruder Müller, Board of Management Chairman of BASF SE, has a Ph.D. in chemistry. The target of five Supervisory Board members who have a technical background or specific technological expertise that has been more than met to date would thus be exceeded to an even greater extent if the nominated candidates were elected. Moreover, the election of Elizabeth Centoni would ensure that the legally required proportion of women (30%) would be met. All of the candidates are younger than 62 and have many years of international experience. In addition, Elizabeth Centoni and Ben van Beurden come from a country other than Germany. Should the candidates be elected, the target of 30% international shareholder representatives would be exceeded even more than it already is.

The nominated candidates occupy high-level positions at other companies. Daimler has relations with almost all of these companies as part of its usual business operations. All of the nominated candidates are independent of the Company and its Board of Management. None of them has a personal or business relationship with the Company, one of its dependent enterprises or its Board of Management (e.g. as a customer, supplier, creditor or consultant) that may cause a substantial and not merely temporary conflict of interest. Ben van Beurden and Dr. Martin Bruder Müller serve as the Chief Executive Offi-

cer or the Board of Management Chairman of a listed company. Besides the intended membership in the Supervisory Board of Daimler AG, neither of them is a member of a supervisory board at a non-Group listed company or holds a similar position. In addition to being Senior Vice President of the listed company Cisco Systems Inc., Elizabeth Centoni is a member of the Board of Directors of the listed company Ingersoll Rand Inc. However, she does not hold any other comparable positions beyond the intended membership in the Supervisory Board of Daimler AG. As a result, all of the candidates have fewer board memberships than the maximum number given in the requirements profile. The Supervisory Board has also determined that all of the candidates for membership in the Supervisory Board of Daimler AG have sufficient time available to perform their duties and are willing and able to dedicate themselves to their tasks and to participate in all courses of training and further training that might be necessary for the performance of their tasks.

The terms of the shareholder representatives on the Supervisory Board of Daimler AG end at different times (“staggered board”). The Annual Shareholders’ Meeting elects one or more shareholder representatives each year. Having a staggered board enables the composition of the Supervisory Board to be more flexibly adapted to a changing environment. Moreover, it makes it easier to find suitable candidates because all of the shareholder representatives do not have to be elected during a single Annual Shareholders’ Meeting.

The Supervisory Board’s Nomination Committee regularly determines which memberships end at which time and whether the respective members come into question for a further term in line with the aforementioned criteria and are also willing to do so. In its search for new candidates, the Nomination Committee also avails itself of independent external human resources consulting services.

## Shareholders and the Shareholders’ Meeting

The shareholders exercise their membership rights, in particular their voting rights, at the Shareholders’ Meeting. Each share in Daimler AG entitles its owner to one vote. Documents and information related to the Shareholders’ Meeting can be found on our website at [🌐 daimler.com/ir/am](https://www.daimler.com/ir/am).

We maintain close contacts with our shareholders in the context of our comprehensive investor relations and public relations activities. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business. Within reasonable limits, the Chairman of the Supervisory Board is also prepared to talk to investors about specific Supervisory Board issues.

In addition to other methods of communication, we also make extensive use of the Company’s website for our investor relations activities. All of the important information disclosed in financial year 2020, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations, and audio recordings of analyst and investor events and conference calls, as well as the financial calendar, can be found at [🌐 daimler.com/investors](https://www.daimler.com/investors). All the dates of important disclosures such as annual reports and interim reports and the dates of the Annual Shareholders’ Meeting, the annual press conference and the analyst conferences are announced in advance in the financial calendar.