

# Declaration on Corporate Governance, Corporate Governance Report

The Declaration on Corporate Governance pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) has been combined for Daimler AG and the Daimler Group as well as with the Corporate Governance Report. The following statements thus apply to Daimler AG and the Daimler Group insofar as not otherwise stated. The Declaration on Corporate Governance, which is combined with the Corporate Governance Report, can also be viewed on the Internet at [daimler.com/dai/gcgc](http://daimler.com/dai/gcgc). 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.

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

Daimler AG satisfies the 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, with the exception of Clause 3.8 Paragraph 3 (D&O insurance deductible for the Supervisory Board), and will continue to observe the recommendations with the aforesaid deviation. Since the issuance of the last compliance declaration in December 2017, Daimler AG has observed the recommendations of the German Corporate Governance Code, with the aforementioned exception.

## **D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3)**

As in previous years, the Directors' & Officers' liability insurance (D&O insurance) also contains a provision for a deductible for the members of the Supervisory Board, which is appropriate in the view of Daimler AG. However, this deductible does not correspond to the legally required deductible for members of the Board of Management in the amount of at least 10% of the damage up to at least one and a half times the fixed annual remuneration. Since the remuneration structure of the Supervisory Board is limited to function-related fixed remuneration without performance bonus components, setting a deductible for Supervisory Board members in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact when compared with the members of the Board of Management, whose compensation consists of fixed and performance bonus components.

Stuttgart, December 2018

For the Supervisory Board  
Dr. Manfred Bischoff  
Chairman

For the Board of Management  
Dr. Dieter Zetsche  
Chairman

This declaration and previous, no longer applicable, declarations of compliance from the past five years are also available on our website at [daimler.com/dai/gcgc](http://daimler.com/dai/gcgc).

## The main principles applied in our corporate governance

### German Corporate Governance Code

Beyond the legal requirements of German stock corporations, codetermination and capital market legislation, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code ("Code") with the exception disclosed and justified in the declaration of compliance. Daimler AG has also followed and continues to follow the suggestions of the Code with just one exception: Deviating from the suggestion in Clause 2.3.3, which stipulates that companies should enable shareholders to view the Shareholders' Meeting with modern communications media such as the Internet, the Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management, in order to protect the character of the Shareholders' Meeting as a meeting attended by our shareholders in person. An additional factor is that continuing the broadcast after that point, in particular broadcasting comments made by individual shareholders, could impair the discussion between shareholders and management.

### 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 viable 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 compliant and ethical conduct in everyday activities for all employees at Daimler AG and the Group.

### Integrity Code

Our Integrity Code is based on a shared understanding of values, which we developed together in a dialogue with Daimler employees. The Code defines our principles of behavior in daily business. This applies to interpersonal conduct within the company as well as conduct toward customers and business partners. These central principles include compliance with laws, as well as fairness and responsibility, for example. In addition to general principles of behavior, the 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 at 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 compliance stipulations because we regard our business partners' integrity and behavior in conformity with regulations as an indispensable prerequisite for trusting cooperation. When selecting our direct business partners, we therefore pay close attention that they comply with the law and follow ethical principles, and that they pay the same attention themselves towards 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 management at the Group

Daimler has a risk management system commensurate with its size and position as a company with global operations, [pages 143 ff](#) of the Annual Report 2018. 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. At least once a year, the Audit Committee discusses the effectiveness and functionality of the risk management system with the Board of Management. The Chairman of the Audit Committee reports to the Supervisory Board on the committee's work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board also deals with the risk management system on the occasion of the approval of the operational planning and the audit of the annual company and consolidated financial statements. 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 Chairman of the Supervisory Board has regular contacts between Supervisory Board meetings 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 the issue of risk management. 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 annual company financial statements and consolidated 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.

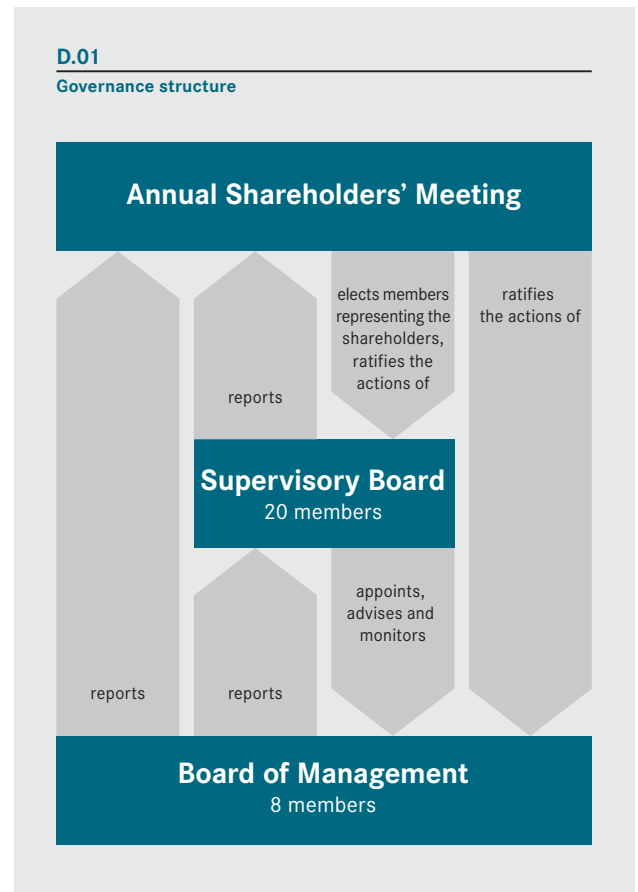
Based on the recommendation of the Audit Committee, the Supervisory Board submits a decision proposal to the Shareholders' Meeting for the election of the external auditors for the annual company financial statements, for the consolidated financial statements and for the auditors' review of interim financial reports. At the Annual Shareholders' Meeting on April 5, 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin,

was elected to conduct the audit of the annual company financial statements and consolidated financial statements, and the external auditors' review of interim financial reports, for financial year 2018, as well as the external auditors' review of interim financial reports for financial year 2019 in the period leading up to the Shareholders' Meeting in 2019. Since 2014, the responsible auditor commissioned to carry out the external audit has been Dr. Axel Thümler. 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.

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 year or had been contractually agreed upon for the following year.

The Audit Committee instructed the external auditors 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.

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 on [pages 44 f](#) of the Annual Report 2018.



## 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, 2018. 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: [page 197](#). 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: [page 198](#).

The Board of Management manages Daimler AG and the Daimler Group. 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 operational planning matters. The members of the Board of Management must represent the interests of the Company and share responsibility for managing the Group's entire business.

Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas 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 company financial statements of Daimler AG, the annual consolidated financial statements, and the combined management report of the Company and the Group, as well as the separate combined non-financial report produced for Daimler AG and the Group. 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 Group's internal guidelines 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 on [pages 217 ff](#) of the Annual Report 2018. 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 business units, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and the compliance management system. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at [www.daimler.com/dai/rop](http://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.

#### **CASE Steering Committee**

The Board of Management has formed a Steering Committee consisting of Board of Management members to address the future-oriented CASE topics of connectivity (Connected), automated and autonomous driving (Autonomous), flexible use (Shared & Services) and electric drive systems (Electric). The responsibilities of the Board of Management as a whole, in particular those regarding the catalog of issues that require its

approval, as well as the areas of responsibility of individual Board members, remain unchanged despite the creation of the Committee.

The Steering Committee consists of the Chairman of the Board of Management, who is also responsible for Mercedes-Benz Cars, as well as the members of the Board of Management responsible for Finance & Controlling/Daimler Financial Services, Mercedes-Benz Cars Marketing & Sales, and Group Research & Mercedes-Benz Cars Development. The Chairman of the Board of Management is also the Chairman of the Steering Committee. In line with the Committee's structure as described above, the members of the Steering Committee at December 31, 2018 were Dr. Dieter Zetsche (Chairman), Bodo Uebber, Britta Seeger and Ola Källenius.

Within the framework of the strategic approach adopted by the Board of Management, the Steering Committee defines the management model and the strategic guidelines for CASE. The Board of Management has defined rules of procedure for the Steering Committee. The Committee can make changes to these rules on its own authority, provided such changes do not affect the steering model.

Along with the composition of the Steering Committee, the responsibilities of its Chairman, the responsibility for the rules of procedure and the options available for establishing other CASE bodies below the Steering Committee, the rules of procedure of the Steering Committee also define the structure and format of Committee meetings and the adoption of resolutions, as well as the rules on reporting to the Board of Management of Daimler AG.

#### **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, create a work culture that promotes the performance, motivation and satisfaction of our employees and managers, and 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, guidelines 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 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 to 20% by 2020. At the end of 2018, this proportion was 18.8% (2017: 17.6%).



## 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 are posted on our website at [daimler.com/dai/sb](https://www.daimler.com/dai/sb). Information on other mandates held by the members of the Supervisory Board can also be found on [pages 54 f](#) of the Annual Report 2018.

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: [page 197](#) of the Annual Report 2018. With regard to its composition, the Supervisory Board has also created an overall requirements profile consisting of a skills profile and a diversity concept to be applied to the entire Supervisory Board. Details of the overall requirements profile are also described in a separate section: [page 199 ff](#) of the Annual Report 2018. 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 business units, 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 the compliance management system. 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. Initial appointments are usually made for a period of three years. 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:

[page 197](#) of the Annual Report 2018. 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: [page 198](#) of the Annual Report 2018.

The Supervisory Board decides on the system of remuneration for the Board of Management, reviews it regularly, and determines the total individual remuneration of each member of the Board of Management with consideration of 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 become due. The Supervisory Board has set upper limits for individual Board of Management remuneration in total and with regard to its variable components. Further information on Board of Management remuneration can be found in the Remuneration Report on [pages 120 ff](#) of the Annual Report 2018.

The Supervisory Board reviews the annual company financial statements, the annual 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 the year 2018 is available on [pages 46 ff](#) of the Annual Report 2018 and on the Internet at [daimler.com/dai/sb](https://www.daimler.com/dai/sb).

In 2018, the Supervisory Board once again commissioned an external review of the separate combined Non-Financial Report of Daimler AG and the Group within the framework of a limited assurance engagement. The external auditors issued a report concerning their limited assurance engagement on the Non-Financial Report in accordance with ISAE 3000, which the Supervisory Board then approved after reviewing the Non-Financial Report and discussing it with the external auditors.

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

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. The Supervisory Board meetings during the reporting year once again included so-called executive sessions on a regular basis for discussions of the Supervisory Board 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. However, this is not the rule.

The Supervisory Board has formed four committees, which 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) and is also available on [page 55](#) of the Annual Report 2018.

#### Presidential Committee

The Presidential Committee is composed of the Chairman of the Supervisory Board, his Deputy, and two other members, who are elected by a majority of the votes cast by the members of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management, whereby it takes into account the overall requirements profile it 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. In this context, it follows the relevant recommendations of the German Corporate Governance Code. 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, reports to the Supervisory Board regularly and without delay on consents it has issued, 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.

#### Nomination Committee

The Nomination Committee is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It consists solely of members representing the shareholders and 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, as well as the recommendations of the German Corporate Governance Code. It 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 Chairman of the Supervisory Board is not simultaneously the Chairman or a member of the Audit Committee. The Chairman of the Supervisory Board attends the meetings of the Audit Committee as a guest.

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. Furthermore, due to his earlier work at Robert Bosch GmbH and his long-standing membership of the Supervisory Board of Daimler AG, Dr. Clemens Börsig is also very familiar with the automotive industry.

The Audit Committee deals with the supervision of the accounting and its process as well as with the annual external 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 annual company and consolidated 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 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.

#### **Mediation Committee**

The Mediation Committee is composed of the Chairman of the Supervisory Board and his Deputy, 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 of the shareholders' and employees' representatives, respectively. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved. As in previous years, the Mediation Committee did not have to take any action in 2018.

#### **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 board 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 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. At December 31, 2018, 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 November 8, 2016, the Board of Management passed a resolution stipulating a target of 15% women for both the first and second management levels below the Board of Management, with a deadline of December 31, 2020. At the time of the resolution, the proportion of women in the first and second management levels below the Board of Management was 8.0% and 12.4%, respectively. At December 31, 2018, the proportion of women at the first management level below the Board of Management was 11.8%; at the second level it was 14.4%.

Since 2016, 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.

At December 31, 2018, 30% of the shareholder representatives in 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 12, 2018, the Supervisory Board considered its nominations for the election at the 2019 Shareholders' Meeting and decided, upon the recommendation of the Nomination Committee, to propose at the 2019 Annual Shareholders' Meeting that Joe Kaeser and Dr. Bernd Pischetsrieder be elected once again 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. For this reason, the Company is required to describe these concepts in its declaration on corporate governance, and to also explain the aims of the diversity concepts, the manner in which they are implemented and the results achieved with them in the financial year. The Supervisory Board has combined the diversity concepts with the requirements of German legislation on equal participation of women and men in executive positions and the specific targets for the composition of executive management bodies as defined by the recommendations in the current version of the German Corporate Governance Code. These combined requirements are presented in the overall requirements profiles for the composition of the Board of Management and the Supervisory Board described below. The requirements profiles also serve as the basis for long-term succession planning. They are reviewed each year, also taking into account changes that may have been made to the German Corporate Governance Code.

### 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 individual case.

The requirements profile for the Board of Management currently includes in particular the following aspects, which are to be taken into account to the greatest extent possible when making decisions on appointments to the Board of Management:

- 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 Dr. Dieter Zetsche and Wilfried Porth, the Board of Management currently has two members who are engineers. Bodo Uebber is an industrial engineer. Since taking over as Head of Group Research & Mercedes-Benz Cars Development on January 1, 2017, Ola Källenius has sustainably displayed the expertise he acquired in various technical management positions within the Group.
- In order to meet legal requirements on the equal representation of women and men in executive positions, the Supervisory Board defined on December 8, 2016 a target of 12.5% for the proportion of women on the Board of Management, with a deadline of December 31, 2020. This means that of the eight current members of the Board of Management, at least one member must be a woman. 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 is currently 25%.

- In accordance with the recommendations contained in the current version of the German Corporate Governance Code, the Supervisory Board has set an age limit for members of the Board of Management. 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. Seven of the eight Board of Management members are younger than the age limit. Dr. Dieter Zetsche was older than the age limit when he began his current term of office in January 2017. The Supervisory Board nevertheless reappointed Dr. Zetsche as Chairman of the Board of Management. This decision was taken in the best interest of the Group in that it enabled the continuation of leadership at the top executive level that is needed to ensure the sustained success of the Group.
- 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. Five members of the Board of Management – Renata Jungo Brüngger, Ola Källenius, Britta Seeger, Hubertus Troska and Bodo Uebber – met this requirement as of December 31, 2018.
- Decisions related to the composition of the Board of Management should also take into account internationality in terms 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 is currently overachieved due to the international origins of Renata Jungo Brüngger and Ola Källenius.
- The rules of procedure of the Board of Management stipulate that no member of the Board of Management may be a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees at companies outside the Daimler Group that have comparable requirements. This stipulation has been met. 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. His other board memberships are at joint ventures that fall within his areas of responsibility.

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 aforementioned 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.



## Supervisory Board

In accordance with applicable law, 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 for 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.

The requirements profile for the Supervisory Board currently includes 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 digitization), 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, Dr. Jürgen Hambrecht, Dr. Bernd Pischetsrieder, Marie Wieck, Dr. Frank Weber and Roman Zitzelsberger (three shareholder representatives and two employee representatives) have relevant university degrees, while another three employee representatives have 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. The Supervisory Board currently has 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.
- The rules of procedure of the Supervisory Board stipulate that candidates for election 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 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 and the candidates Joe Kaeser and Dr. Bernd Pischetsrieder, who are to be proposed for reelection at the 2019 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 62 years of age or younger at the time of their election or reelection. Among the current members of the Supervisory Board, all 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 for their current term of office.
- 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 is currently significantly overachieved with 30% for the entire Supervisory Board due to the international origins of Bader Al Saad, Sari Baldauf, Petraea Heynike, Marie Wieck and Dr. Paul Achleitner on the shareholders' side (50%) 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 to 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 as defined by the German Corporate Governance Code, 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 on [page 51](#) of the Annual Report 2018, there were individual cases concerning two Supervisory Board members in particular situations during the reporting period where there might have been the appearance of a potential conflict of interest at the time when Board of Management reports were submitted to the Supervisory Board. The Supervisory Board members in question in these cases refrained from being present during the presentation of the Board of Management report regarding the issue that might have been affected by a potential conflict of interest.

As a result, in the case of at least half of the shareholder representatives on the Supervisory Board and at least 15 members of the entire Supervisory Board, there were no indications of a potential conflict of interest during the reporting period based on the premise described above. There were no indications for actual conflicts of interest in the financial year 2018.

- In order to ensure the independent advice to, and supervision of, the Board of Management by the Supervisory Board, the rules of procedure of the Supervisory Board stipulate that 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 as defined by the German Corporate Governance Code, at least 15 members of the Supervisory Board are also deemed to be independent.

Under the premise described above, there are, in the view of the Supervisory Board, no indications at present for any of the members of the Supervisory Board that relevant 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 their independence. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor. With regard to Supervisory Board member Bader Al Saad, the Supervisory Board takes the view that his membership of the Executive Committee of the Board of Directors of Kuwait Investment Authority does not compromise his independence within the meaning of the German Corporate Governance Code. The German Corporate Governance Code does not contain a conclusive definition of independence, but instead presents examples of circumstances that would call the independence of a Supervisory Board member into question. Within the meaning of the German Corporate Governance Code, a Supervisory Board member is to be considered non-independent if he or she has a personal or business relationship with the Company, its governing bodies, a controlling shareholder or a company affiliated with a controlling shareholder that may cause a substantial and not merely temporary conflict of interest. It is the responsibility of the Supervisory Board to evaluate the independence of its members on the basis of such criteria. 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 Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management.

- The rules of procedure of the Supervisory Board also define a general time limit for Supervisory Board membership. As a result, 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, and the candidates Joe Kaeser and Dr. Bernd Pischetsrieder, who are nominated for reelection at the Annual Shareholders' Meeting in 2019, also meet this requirement.
- 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. Prior to issuing its election proposals, the Supervisory Board determines whether the candidates in question will have sufficient time available to perform their duties on the Supervisory Board.

- In order to ensure compliance with a current recommendation in the German Corporate Governance Code, the rules of procedure stipulate that 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 bodies of other companies with similar requirements outside of the group of his or her Board of Management membership. One member of the Supervisory Board, Joe Kaeser, is a member of the board of management of a listed company, but has not exceeded the maximum number of memberships.

In the case of Supervisory Board members who are not also members of the board of management of a listed company, the legal limit of membership of ten statutorily constituted supervisory boards applies firstly, whereby chairmanship of a supervisory board counts double. In order to ensure that members of the Supervisory Board have sufficient time to fulfill their mandate, members of the Supervisory Board of Daimler AG who are not also members of the board of management of a listed company shall, however, generally be permitted membership of 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 year.

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 to fulfill 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 aforementioned criteria, the Nomination Committee creates a shortlist 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 election proposals to the Shareholders' Meeting is always the Company's interests under consideration of all circumstances in each individual case.

## Shareholders and the Shareholders' Meeting

The shareholders exercise their membership rights, in particular their information and voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred voting rights, or maximum voting rights at Daimler AG. 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). The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Shareholders' Meeting to be held on May 22, 2019 therefore constitutes an exception, which is necessitated by the magnitude and complexity of "Project Future", which is to be presented at the meeting.

The Company facilitates the personal exercise of the shareholders' rights and proxy voting in a variety of ways, such as by appointing Company proxies who are strictly bound by the shareholders' voting instructions and who are available during the Shareholders' Meeting. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the e-service for shareholders.

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 2018, 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. The financial calendar can also be found inside the rear cover of the Annual Report.