

Non- Financial Report

On the following pages, we publish the non-financial report in accordance with Sections 289b – 289e, 315b and c of the German Commercial Code (HGB). This report applies to Daimler AG and to the Daimler Group. It contains the main information on the aspects of environmental, employee and social matters, combating corruption and bribery, and respect for human rights.

Non-Financial Report

Sustainability at Daimler	198	Social Issues	208
Our sustainable business strategy	198	Incorporation of stakeholder	208
Sustainable corporate governance	198	Political dialog and representation of interests	209
Risk management	199		
Supply chain	199		
		Integrity and Compliance	211
Environmental Issues	200	Integrity Management	211
Climate protection	200	Our Compliance Management System	212
Air pollution control	201	Anti-corruption compliance	215
Resource conservation	201	Antitrust compliance	215
		Technical compliance	216
Employee Issues	203	Data compliance	217
Partnership with the employees	204	Anti-financial-crime compliance	218
Employer attractiveness	204	Human-rights compliance	219
A competitive workforce	205		
Occupational health and safety	207	Statement on the Review of the Non-Financial Report	220

The information provided in this report is presented in conformity with the GRI Standards of the Global Reporting Initiative, insofar as this complies with applicable law. Some aspects are presented in accordance with internal guidelines and definitions.

Information on our business model ([👁 pages 60 ff](#) of the Annual Report 2019) and on non-financial risks connected with the aspects presented in this report (Risk and Opportunity Report [👁 page 149](#) of Annual Report 2019) is provided in the Combined Management Report in the Annual Report 2019.

Further information on our sustainability activities can be found online at [🌐 daimler.com/sustainability](https://daimler.com/sustainability) and in our annual Sustainability Report, which can be downloaded there as a PDF data file.

Sustainability at Daimler

At Daimler, sustainability means creating lasting economic and social value for all stakeholders – i.e. our customers, employees, investors, business partners, and society as a whole. The foundation for our approach here is the Daimler sustainable business strategy adopted by the Board of Management in 2019. [👁 page 52 ff](#) With this strategy, the company assumes responsibility for the economic, ecological, and social impact of its business activities, not only at its manufacturing locations but also with regard to the entire upstream and downstream value chain.

Our sustainable business strategy

Our sustainable business strategy demonstrates our commitment to sustainable business operations at both the Group level and in the individual business divisions. More specifically, our strategic objectives involve the following six areas of action:

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

We have set ourselves the goal of making sustainability an integral component of our core business and our conduct in general. Achieving this goal requires future-oriented cooperation with our partners in industry, government, and society at large, as well as with our employees, who will help shape the coming transformation. The three enablers, or principles, of “Integrity,” “Employees” and “Partnerships” are crucial for achieving success in the six areas of action.

While formulating our strategic goals in the six areas of action, we focused extensively on the 17 Sustainable Development Goals (SDGs) defined by the United Nations, and in particular on the following SDGs and the associated sustainability-related activities:

- **SDG 8** – Decent Work and Economic Growth
- **SDG 9** – Industry, Innovation and Infrastructure
- **SDG 11** – Sustainable Cities and Communities
- **SDG 12** – Responsible Consumption and Production
- **SDG 13** – Climate Action

By adopting the six areas of action and the three enabler topics, we have firmly established the aforementioned SDGs as a component of our business strategy. We want to make an effective contribution to sustainable development by implementing this strategy.

Sustainable corporate governance

The short-term and medium-term components of the remuneration – the Daimler Company Bonus – have been further developed for the Board of Management and Level 1–3 managers, with effect as of January 1, 2019. These components are linked not only to financial targets but also to sustainability-related transformation targets and non-financial targets that focus on employees, customers, integrity, and diversity. The transformation targets in particular are closely examined within the framework of the annual review of the Daimler Company Bonus, whereby the targets for 2020 will be even more closely aligned with the company's sustainable business strategy.

In accordance with this strategy, we are pursuing our defined targets in the six areas of action and establishing a continuous improvement process. Our management and organizational structures support this process by means of clear lines of responsibility in all business divisions. The Group Sustainability Board (GSB) is our central management body for all sustainability issues and reports to the Board of Management. The GSB is headed by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Markus Schäfer (the Board of Management member responsible for Group Research & Mercedes-Benz Cars Development). The operational work is done by the Sustainability Competence Office, which consists of representatives from the units managed by the two Co-chairs.

Integrity, compliance, and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all our actions as defined in our Integrity Code. The Integrity Code is supplemented by other in-house principles and policies.


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

Risk management

The Daimler Group is exposed to a large number of risks that are directly linked with the business activities of its divisions or which result from external influences. A risk is understood as the danger that events, developments or actions will prevent the Group or one of its divisions from achieving its targets. Risks can be of either a financial or non-financial nature. At the same time, it is important for the Daimler Group to identify opportunities for the Group so that they can be utilized in the course of its business activities, thus safeguarding and enhancing the Group's competitiveness. An opportunity is understood as the possibility to safeguard or to surpass the planned targets of the Group or a division as a result of events, developments or actions. In particular, the actions taken by the company with regard to environmental, employee, and social issues, the battle against corruption and bribery, and upholding human rights play a key role in the way we are currently viewed by the public, and can thus potentially result in non-financial risks as well as opportunities. The divisions have direct responsibility for recognizing and managing business risks and opportunities at an early stage. Our Group-wide risk management system provides the framework for the responsible management of existence-threatening and other material risks. The risk management system is integrated into the value-based management and planning system of the Daimler Group and is also an integral part of the overall planning, management, and reporting process in the legal entities, divisions, and corporate functions. The risk management system is intended to systematically and continually identify, assess, control, monitor, and report risks threatening Daimler's existence and other material risks, in order to support the achievement of corporate targets and to enhance risk awareness at the Group. See also the Risk and Opportunity Report,

 [pages 135 ff.](#)

Supply chain

Daimler's sustainable business strategy applies to our value chain and thus also to the purchase of production materials and the procurement of services. Our three procurement units – Mercedes-Benz Cars Procurement and Supplier Quality, Global Procurement Trucks and Buses, and International Procurement Services – are jointly responsible for the Daimler Supplier Network cooperation model. These units work together to ensure the responsible procurement of materials and services and compliance with the Daimler Supplier Sustainability Standards in the supply chain. Our Supplier Sustainability Standards define our requirements for working conditions, upholding human rights, environmental protection, safety, business ethics, and compliance  [page 219, Human rights compliance](#). They also serve as the guidelines for our sustainable supply chain management system. We demand that our

direct suppliers commit themselves to observing our sustainability standards, communicating them to their employees and to their upstream value chains, and then checking to ensure that the standards are complied with. We support them in these activities by providing them with information and training and qualification measures. Our service providers also explicitly recognize these standards as a contractual component of their supplier agreements.

Compliance with the standards is systematically reviewed. For example, the procurement units of Mercedes-Benz Cars and Daimler Trucks & Buses examines the sustainability policies of new production material suppliers in on-site inspections. Such examinations are even more thorough in high-risk countries, and in particularly critical cases we discuss the results of the analyses in management committees and take them into account in decisions on whether to award a contract. Along with the assessment of new suppliers, we also examine sustainability risks at our existing direct suppliers within the framework of risk analyses conducted on a regular basis. Among other things, we conduct annual database research to identify any violations of our sustainability and compliance rules by our current suppliers. This is part of our supplier screening process. Mercedes-Benz Cars also conducts corporate social responsibility (CSR) audits and potential analyses of new suppliers.

We systematically follow up all reports of violations, and Mercedes-Benz Cars utilizes online surveys here as well. These surveys require suppliers to provide information about their sustainability management system and the measures they take to ensure that their own suppliers comply with sustainability standards. If the results of such surveys indicate insufficient sustainability performance, we instruct the supplier in question to improve the relevant processes. In order to ensure an effective sustainable supplier management system, it is very important to us that the results of the surveys can be compared. For this reason, we work with standardized instruments such as the industry-wide sustainability Self-Assessment Questionnaire developed by the European Drive Sustainability initiative.

In 2019, we held training courses for suppliers in the focus countries Brazil, Malaysia, and South Africa in cooperation with Drive Sustainability – a European sustainability initiative. In addition, we assisted the econsense – Forum for Sustainable Development of German Business network with the establishment of a platform for further supplier workshops on sustainability. Our Daimler Supplier Portal offers existing and potential suppliers a free e-learning program on compliance awareness that allows suppliers to obtain detailed information at any time on sustainability standards and their implementation.

Environmental Issues

Protecting the environment is a primary corporate objective of our Group. Environmental protection is not separate from other objectives at Daimler, but is an integral component of our sustainable business strategy. The central environmental aspects we address are climate protection, air pollution control, and resource conservation.

Climate protection

The transition to CO₂-neutral mobility is vital if the impact of climate change is to be limited. We at Daimler are working hard to make this vision a reality. In this connection, we have set ourselves the goal of making the mobility of the future more sustainable, and we are employing a holistic approach in order to achieve this goal. One component of our approach involves reducing the CO₂ emissions of our vehicles.

Within the framework of our sustainable business strategy, our company has expressed its firm commitment to the Paris accord on climate protection. Mercedes-Benz AG has had its climate protection measures scientifically confirmed by the Science Based Targets Initiative (SBTI). By means of these targets, the company wants to contribute to environmental protection in the sense of the Paris Agreement.

In our sustainable business strategy, we have also set ourselves the goal of making our fleet of new cars CO₂-neutral for the vehicles' entire lifecycle by 2039. Daimler Trucks & Buses aims to offer only new vehicles that are CO₂-neutral in driving operation ("tank-to-wheel") in the triad of Europe, Japan, and NAFTA by 2039. Mercedes-Benz Vans is currently striving to achieve similar reductions in CO₂ emissions. In order to achieve this goal, we want to significantly increase sales of passenger cars equipped with plug-in hybrid and all-electric drive systems. In this connection, we want to electrify the entire portfolio of Mercedes-Benz Cars by 2022, which means that various electric alternatives are to be offered in every segment – from compact cars to SUVs. By the year 2025, we expect all-electric models to account for up to 25%. By 2030, plug-in hybrids and all-electric models should account for more than 50%.

A new average CO₂ target value of 95 g/km went into effect in 2020 for the entire fleet of new cars in the EU. The applicable limit for individual manufacturers is based on the average vehicle weight of the respective vehicle fleet. The limit for our fleet of new cars will be higher due to the high average weight of the vehicles in our model range. We take compliance with this new requirement into account as early as the vehicle development stage by employing our Design for Environment approach [👁 page 342, Glossary](#). In order to continuously improve environmental compatibility, these requirements are incorporated into our product performance specifications. These specifications define specific characteristics and target values – for example for fuel economy and CO₂ emissions – that must be achieved for every vehicle model and every engine variant. During the development process, we regularly

monitor compliance with our internal development targets and the requirements contained in the product performance specifications. In the Energy Efficiency Board (EEB), which includes Board of Management participation, the managers responsible for each vehicle model series evaluate the results of this monitoring process. In their evaluations, the managers take into account the increasing degree of vehicle electrification and the changes that have been made to legal requirements, for example those relating to the introduction of the new WLTP test procedure. If corrective actions are required, the managing body of the respective business division is included in the decision-making. The exact level of the CO₂ emissions of individual vehicles is determined within the framework of the fuel-economy certification process.

Nevertheless, the fact remains that the attainment of the EU limits will greatly depend on the level of customer demand for all-electric vehicles and plug-in hybrids.

CO₂ emissions from our car fleet

For the year under review, it is expected that the average CO₂ emissions of our total passenger car fleet in Europe (EU28 + Iceland, Norway) will have increased to 137 g/km (NEDC, including vans registered as passenger cars (M1), Mercedes-Benz Cars: 135 g/km). This means that we were unable to reduce our CO₂ emissions from the prior-year level. There were several reasons for this development. The first involves the shift of sales from vehicles with diesel engines to cars powered by gasoline engines. Secondly, 2019 was the first year in which the rollout of the WLTP certification process had its full impact. We intend to achieve our objective of reducing our CO₂ emissions for 2020 and thus continue to conform to the currently valid EU limit values by means of a planned expansion of our portfolio to include further electric vehicle models and accommodate customer demand. [👁 pages 135 ff, Risk and Opportunity Report](#)

CO₂ fleet emissions of Daimler Trucks & Buses

Daimler Trucks & Buses aims to offer only new vehicles that are CO₂-neutral in driving operation ("tank-to-wheel") in the triad of Europe, Japan, and NAFTA by 2039. As early as 2022, the company plans to have a vehicle portfolio comprising series-produced vehicles with battery-electric drive systems in these main sales regions. In order to achieve these targets and meet future legal stipulations in certain countries regarding the reduction of vehicle emissions and fuel consumption, Daimler Trucks & Buses has to employ the latest technology and enhance its range of battery-electric trucks and vehicles with other electrified drive systems. [🔗 pages 135 ff, Risk and Opportunity Report](#)

Air pollution control

In addition to climate protection, the improvement of inner-city air quality is an important environmental consideration for us. That's because road traffic still accounts for a considerable share of nitrogen dioxide pollution (NO₂) near roads.

Plans call for our new vehicle fleet to no longer have any relevant impact on NO₂ emissions in urban areas by 2025. Another of our aims is to increase transparency with regard to vehicle-related particulate emissions and forge ahead with the research and development of new measures for reducing such emissions.

Responsibility for ensuring compliance with air pollution control requirements in the area of exhaust gas emissions is split between several units and executive divisions. At the vehicle level, the development departments at the vehicle divisions are responsible for ensuring such compliance.

A reduction of NO_x emissions is made possible by an innovative overall package consisting of the engine and the exhaust treatment system. This package is being continuously enhanced and has been comprehensively launched on the market in the new engine generation encompassing the OM 654, 656, and 608.

Overall, Daimler is developing software updates for a majority of its fleet of Euro 6b and Euro 5 diesel cars in Europe. These updates improve the nitrogen oxide emissions of the vehicles in normal operating status by 25 to 30 percent on average. This will be verified with the WLTC 1, 2, 3 measurement cycle. As early as 2017 Daimler announced that it would offer voluntary service measures that would include software updates for several millions of diesel vehicles in Europe. The company has since then extended this update campaign, among other things to include van models. Daimler has in addition been carrying out obligatory recalls – during which software updates are also applied – at the order of Germany's Federal Motor Transport Authority (KBA) since 2018.

An important role is also being played by the launch of vehicles that comply with the Euro 6d-TEMP emissions standard. In the meantime, all Mercedes-Benz passenger cars that can be ordered as new vehicles now comply with this standard at a minimum.

Maintaining the trust of our customers is extremely important to us. Information about how the Company handles official inquiries, investigations, requirements, and proceedings relating to environmental laws and regulations in connection with diesel exhaust gas emissions can be found in the Risk and Opportunity Report. [🔗 pages 135 ff, Risk and Opportunity Report](#)

Resource conservation

Along with fuel economy and emissions during vehicle operation, the processes used to manufacture our vehicles also play a key role in determining their environmental compatibility. For this reason, we work continuously to make production more efficient by, for example, reducing waste, utilizing closed-loop water systems, and recycling batteries from electric vehicles.

Production

Mercedes-Benz Cars is setting the course for green production in Germany and the rest of Europe in order to reduce the impact our plants have on the climate. Plans call for all manufacturing facilities in Europe to be supplied with CO₂-neutral energy from 2022. Conservation of resources, including everything from water to energy and raw materials, continues to hold the key to improving the ecological footprint of our manufacturing operations. Increasing our energy efficiency not only reduces our consumption of fuels; it also lowers energy consumption as a whole and thus the CO₂ emissions ([🔗 page 200, Climate Protection](#)) produced at our plants. The improvement of recycling processes and reduced consumption of raw materials at our sites have the potential to reduce waste, while reductions in our water consumption lower the impact our production operations have on natural water resources.

Our commitment to the environment is an integral component of our sustainable business strategy. For this reason, we have established environmental management systems at our manufacturing locations. In addition, our Environmental Management Manual defines a standardized Group-wide framework for our environmental management systems. The manual describes our environmental and energy guidelines in detail, as well as key environmental protection provisions of relevance to the Group.

We regularly check to ensure that all of our plants comply with these environmental protection provisions. Any incidents relevant to environmental protection that occur at production locations that are majority-owned by the Group are documented within the framework of the plant environmental management systems. We then take all necessary measures to eliminate any damage. We also implement measures for improvement wherever this is possible and expedient. The environmental measures are monitored by external auditors as part of the certification process for our environmental management systems (ISO 14001, EMAS, ISO 50001), as well by internal environmental risk assessments ([🔗 E.01, Environmental-Due-Diligence-Prozess](#)).

Since the year 2000, we have been using a Group-wide standardized method for assessing environmental risks (environmental due diligence process) in order to prevent such risks and comply with statutory requirements. We employ this method both internally at all production locations in which the Group has a majority interest, as well as externally in connection with our acquisition plans. We also have a standardized process in place for inspecting and assessing the Group’s consolidated production sites every five years. The results are reported to the plants and divisional managements. In 2019, we evaluated all the production locations that are operated by the Mercedes-Benz Cars division and majority-owned by the Group. In addition, we annually assess the extent to which our recommendations for minimizing risks at the locations have been put into practice. The objective of all of our environmental risk assessments is to ensure that we achieve high environmental standards at all of our production locations around the world.

Products

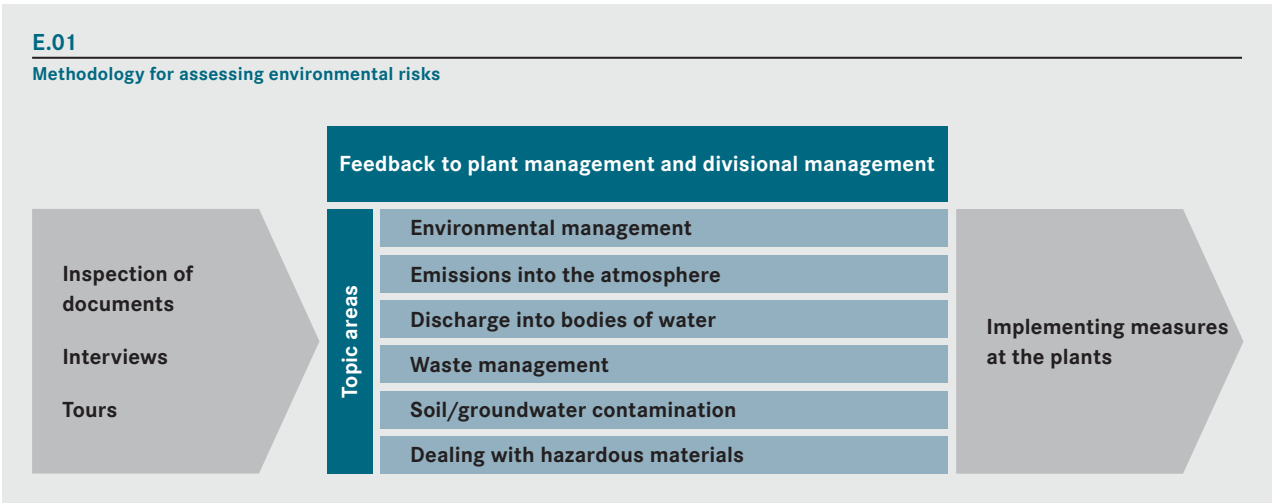
During the development of our Mercedes-Benz car models we prepare a recycling concept for every vehicle model. This concept includes an analysis of the suitability of all components and materials for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85 percent recyclable and 95 percent recoverable, in accordance with ISO 22 628.

In order to evaluate the environmental compatibility of a vehicle, Daimler has for many years now been producing life cycle assessments and examining environmental effects throughout the vehicle’s entire life cycle – from the extraction of raw materials and vehicle production to product use and recycling. In addition to raw material consumption, these examinations take into account other factors such as the medium-term and long-term availability of raw materials.

Environmental protection and resource conservation are coordinated and managed in various units throughout the Group. Group management is involved when fundamental decisions regarding vehicle development are made and when targets are defined for climate protection, air quality, and resource conservation.

E.01

Methodology for assessing environmental risks



Employee Issues

The success of Daimler AG and its subsidiaries is largely dependent on the skills and commitment of its employees. Almost 300,000 people promote our company's success worldwide by contributing their concepts and ideas to their respective tasks and work processes and by helping to make improvements and create innovations. Trusting relationships with employees are therefore more than just an ethical and legal requirement for us – without them we would not be able to conduct our business successfully.

In order to be able to recruit, further develop, and retain qualified employees, we seek to present ourselves around the globe as an attractive employer and to motivate our employees to achieve top performance in the digital world. Our management staff play a key role here, so it is crucial that we equip our managers with outstanding leadership capabilities. In addition, we want to take on our social responsibility and let diversity flourish in our global company.

We want to reach these overarching goals by employing efficient processes. One of the control tools we use is our HR Scorecard, which uses key performance indicators (KPIs) concerning e.g. demographic development, diversity, and employer attractiveness. This enables us to evaluate the sustainability of human resources measures and processes in the individual

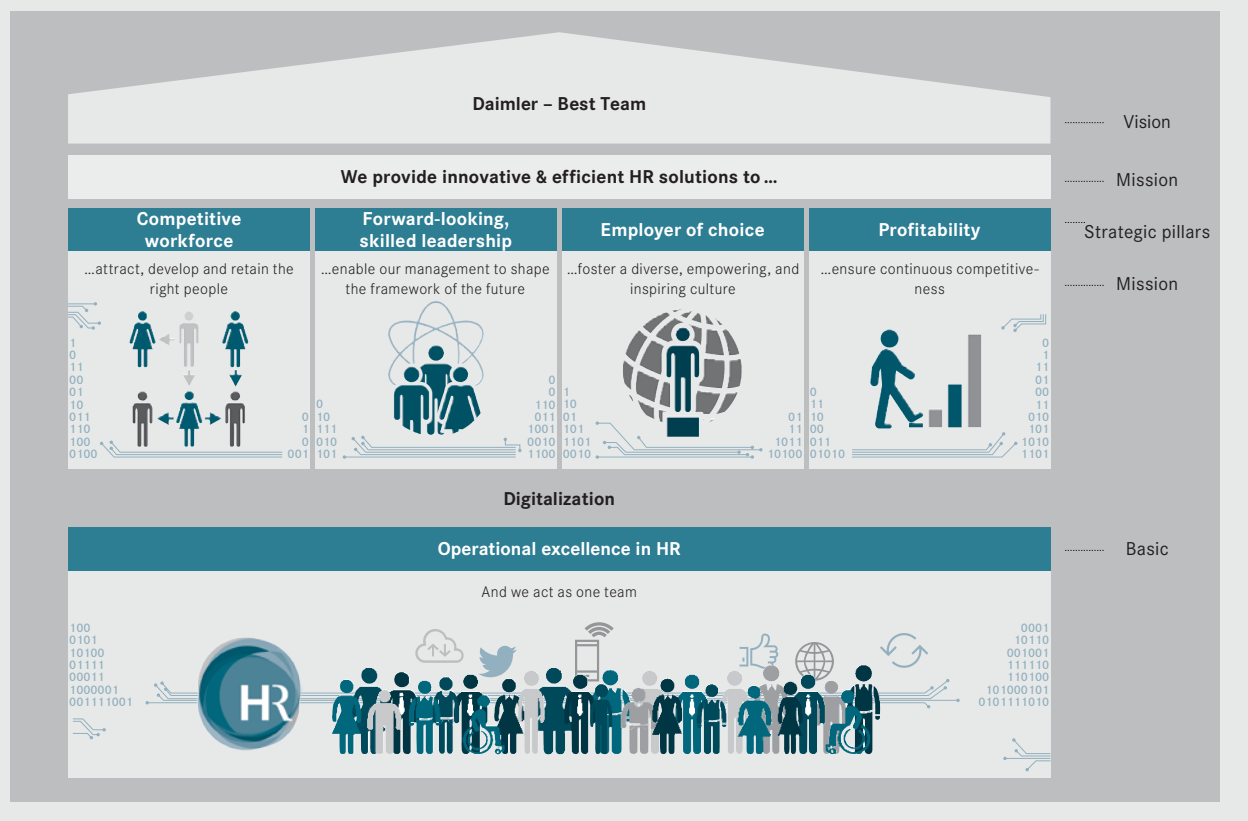
areas of action. These are derived from our HR Strategy **E.02**. HR-eData Manager Reports serve as another control tool. These reports are available to all managers as a self-service feature. They contain KPIs and detailed information on managers' personal areas of responsibility.

General figures regarding the development of our workforce numbers can be found in the Workforce section of the Management Report. [pages 102 ff](#)


Our Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees and what we need to do to improve the company in the future. The survey is conducted every two years, with the next one scheduled for 2020.

E.02

HR Strategy 2025



Partnership with the employees

We want to work together with our employees as partners, respect their interests, and get them involved in the company. An important source of guidance for us here are our Group-wide Principles of Social Responsibility, which are based on the International Labour Organization's (ILO) work and social standards. All of our employees are provided with information about these principles. Reports of violations of the principles are received by the whistleblower system BPO (Business Practices Office), which directs the subsequent investigations according to the area of responsibility  [pages 213 ff, Integrity and Compliance](#).

We structure our decision-making processes in a manner that ensures transparency for our employees, and we also enable our employees to participate in decision-making processes. We work together with our employees as partners, respect their interests, and get them actively involved in the company. We have established how we take on responsibility in our employee relationships in our policies and company agreements. Our employees have the right to organize themselves in labor unions. We also ensure this right in countries in which freedom of association is not legally protected. We work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council, and the World Employee Committee (WEC). Collective bargaining agreements apply to the majority of our employees throughout the Group. Such agreements apply in particular for all of the employees at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG.

Various (company-wide) agreements grant our employees specific rights and define additional rules and regulations. These agreements address topics such as mobile working, family leave, reductions in working hours, and home health care.

Within the framework of the ongoing dialog between the corporate management and the employees' association, employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG have been given a job-security guarantee for the period until 2029. As a result, terminations for operational reasons are excluded on principle until December 31, 2029. This agreement applies to employees who have remained at Daimler AG, as well as all employees who were affected by a transition of operations resulting from the new Group structure and who did not contest their transfer to the new organization.

Employer attractiveness

Our activities and measures for enhancing our attractiveness as an employer are designed to enable us to recruit and retain a sufficient number of specialized employees and qualified managers in the competition for talented staff. Our primary objectives here are to ensure attractive and fair compensation and to establish and maintain a work culture that enables outstanding performance and a high level of motivation and satisfaction among our employees.

Fair remuneration

We remunerate work in accordance with the same principles at all Group companies around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Internal audits are conducted on a random basis to make sure these conditions and requirements are met. In our desire to offer salaries and benefits that are customary in the industry and the respective markets, we also give consideration to local market conditions within the specified framework. The salaries are determined on the basis of each employee's tasks and performance and in line with their qualifications and experience. In setting the remuneration of the employees we are not guided by gender or origin, but exclusively by the employee's function and responsibility.

Employees who have complaints regarding remuneration can report these to their immediate manager. If the questions cannot be resolved satisfactorily in this way, employees can contact their HR department or the Works Council. In companies subject to collective bargaining agreements, such as Daimler AG, for example, the agreements that have been reached grant employees additional rights, including the right to object to their placement in a specific wage/salary group or to the results of their performance assessment.

In employment relationships subject to a collective bargaining agreement Daimler AG and its subsidiaries usually offer additional voluntary benefits that are agreed upon with the respective employees' representative bodies. These benefits include employer-funded contributions to retirement benefits and, in many cases, profit-sharing agreements for the respective company as well. For example, the eligible employees of Daimler AG, Mercedes-Benz AG, and Daimler Truck AG will receive a profit-sharing participation of €597 for 2019 (for this scope, a one-time appreciation bonus of up to €500 was also agreed as a thank you and recognition for the commitment in 2019).

In 2019 the Group spent:

- € 18.336 billion on wages and salaries
- € 3.536 billion on social welfare services, and
- € 0.8 billion on retirement benefits for a workforce numbering 301,839 on average.

We conduct income reviews for employees and managers on a regular basis. The associated integration rounds with the managers in question are carried out under the direction of the human resources units in a manner that ensures salary decision-making transparency. This is done in order to prevent any possibility of discrimination. The remuneration guidelines and tables for employees paid according to collective bargaining wage tariffs, for example at Daimler AG, can be viewed on the Social Intranet. We are now providing to employees additional information relating to the implementation of Germany's remuneration transparency act. This includes information that shows employees the various remuneration components of comparable groups of both genders.

The hourly wage we pay temporary workers in the commercial and industrial units corresponds to the wage offered to newly hired employees with temporary or permanent contracts in the same units. This policy, which is based on the master/ERA collective bargaining agreement for the metalworking industry in the state of Baden-Württemberg, is adapted in line with the requirements of the job profile in question.

Modern working conditions

Modern forms of living and working now also include new work models such as mobile work, reductions in working hours, part-time work, job sharing for managers, and leave of absence programs for sabbaticals, training, and home health care.

We have introduced numerous measures and programs that allow our employees to organize their working times flexibly in line with their individual situation and enable them to reconcile their professional and personal responsibilities. For example, Daimler offers its employees throughout Germany child care places at 14 company facilities, and additional child care places are available via partnerships.

We also offer our employees opportunities to further develop their skills and qualifications and to integrate new working methods and learning techniques into their daily activities.

In order to remain successful in the future, we work constantly to improve our management culture and the way we cooperate. This is also why we launched the “Leadership 2020” initiative in 2016. Employees from more than 23 countries and all levels of the hierarchy, and of all ages and genders, have participated in the process of shaping our future management culture. The initiative has led to the definition of the following new management principles: Pioneering Spirit, Agility, Purpose, Learning, Empowerment, Co-creation, Customer Orientation, and “Driven to Win.” Among other things, these principles are intended to make the company faster and more flexible and boost its innovative potential. We have also set up eight sub-projects within the framework of our “Leadership 2020” initiative. These game changers are geared toward questioning and changing procedures and structures that range from decision-making processes and organizational structures to work methods and tools. The “Leadership 2020” initiative will continue over the next few years as “Leadership 20X.”

We have also launched a human resources development and performance process for managers and executives known as “IMPULSE,” in which managers work with their teams to define the contribution they wish to make to the success of the company, and then monitor the effectiveness of the associated measures. We have established the NAVI process for non-production employees at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. NAVI is a standardized leadership process consisting of initial leadership discussions, reviews conducted during the year, and final discussions.

A competitive workforce

We can only be successful if we have a skilled and high-performing workforce. It is therefore crucial that we continuously promote the development of our employees in order to remain competitive.

Employee development and securing young talent

The goals of our professional training, continuing education, and qualification programs are to offer our employees opportunities for lifelong learning and continuous further development, safeguard the competitiveness of our company, and ensure that we can recruit and secure young talent. Further aims include establishing an agile management culture and organization that is supported by digital systems and ensuring that we keep pace with the technological transformation of mobility. For this reason, we offer various programs on a regular basis that enable our employees to improve their qualifications, become familiar with changed requirements, and acquire and develop new skills. Among other things, the approach we employ here makes use of digital learning formats and qualification measures that are implemented directly in the workplace. In 2019, we defined strategic areas of action for professional education. These areas include the transformation of mobility, agility in professional education, digital education projects, and internationalization. The areas apply equally to Daimler AG, Mercedes-Benz AG, and Daimler Truck AG.

The “company-wide agreement on qualification” regulates professional training at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG. This agreement standardizes the qualification process and makes it more efficient. Our employees should take part in professional training and qualification for their professional and personal development throughout their careers. Employees are supported by our managers as they proceed along their career paths. A key focus of our qualification measures in the reporting year involved topics relating to electric mobility, for example.

The Daimler Corporate Academy helps the Group develop a new management culture and world of work. The central mission of the Academy is to safeguard the further development of managers throughout the Group and around the globe within the framework of a leadership program. Around 150,000 participants worldwide have received personal and professional training in 2019 with the programs of the Corporate Academy. The portfolio includes courses in business skills, as well as initiatives that address trends such as the digital transformation of the Group, agile work methods, and future skills for experts. The Corporate Academy also offers Daimler Academic Programs, which enable employees to pursue a course of study while they continue to work.

Programs such as “Skilled Worker in Focus” and the team leader development program ensure that employees in production and production-related units also receive non-specialized general training and education according to uniform standards. In 2019, for example, 76 employees used the “Skilled Worker in Focus” program. We also focus especially on the development of talented young managers.

The Global Training unit safeguards and increases the skills of our employees at the Mercedes-Benz sales organization. In 2019, more than 700 Mercedes-Benz trainers in over 80 countries worldwide instructed approximately 203,000 participants. Employees complete 1.8 million training courses each year.

INspire is the name given to a series of international talent training programs that optimally prepare young professionals for their careers. Each one of our talent training programs offers cross-unit insights, training, and personal coaching.

In Germany, we recruit most of the young talent we need through our industrial-technical and commercial apprenticeships and the programs at the Cooperative State University. We developed the “Daimler Training System” for technical apprenticeships in Germany. Daimler also offers dual work-study programs for 13 internationally recognized bachelor courses of study at 13 Group locations throughout Germany.

Our STEM education initiative, “Genius,” is designed to get children and young people enthusiastic about technology and technology topics. Genius also helps teachers make their classes varied and future-oriented by offering them practice-related instructional materials, digital education materials, and interactive advanced training courses.

Diversity

At Daimler, we encourage equal opportunity and a culture of appreciation and respect – a culture in which one’s ethnicity, age, gender, individual physical capabilities or sexual identity or orientation have no bearing whatsoever on one’s job or career. Diversity and inclusion are firm components of our sustainable business strategy, for which we have set ourselves targets and defined areas of action.

As a supervisory board of a listed company subject to parity codetermination, the Daimler AG Supervisory Board is legally required to have a gender ratio of at least 30% women. The Supervisory Board fulfills this requirement as a whole and also in terms of the side of the Supervisory Board representing the shareholders and the side representing the employees. In line with a further legal requirement, 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. This target has been clearly surpassed, as the proportion of women on the Board of Management is currently 25%. The Board of Management defined a target of 15% for the proportion of women in the first and second management levels of Daimler AG below the Board of Management, with a deadline of December 31, 2020. As of December 31, 2019, the proportion of women at the first management level below the Board of Management was 12.5%; at the second level it was 23.8%. As a result of the deconsolidation of the Cars & Vans and Trucks & Buses divisions into Mercedes-Benz AG and Daimler Truck AG as part of Project Future, the number of executives of Daimler AG at the two management levels below the Board of Management and thus the number for determining the proportion of women at these levels decreased significantly on December 31, 2019.

Beyond the current legal requirements, we have since 2006 been setting clear goals for increasing the proportion of women in the various business units, and we check every month or quarter to see how we are progressing. For example,

Daimler has defined its own target for the proportion of women in executive management positions at the Group level over a period of several years within the framework of its in-house guidelines (Gender Diversity Aspirational Guidelines). This target calls for a proportion of 20% by the end of 2020. The share of women in such positions stood at 19.8% at the end of 2019. Women currently account for 19.0% of the total workforce worldwide.

The Board of Management holds regular discussions (on a quarterly basis over the past few years) of the Group’s diversity management targets, activities, and results. The Diversity Update contains gender reporting information and if required information on any Group-wide projects. Our entire workforce knows that we expect all employees to treat one another with respect and appreciation. Managers serve as role models here and thus have a special responsibility for ensuring a corporate culture marked by fairness.

The Integrity and Diversity units at Daimler design the framework and processes for such a culture. The Global Diversity Office is a corporate function that is part of the Group Human Resources organization. This office defines strategic targets and areas of action in cooperation with the business units and initiates group-wide projects, training programs, and awareness promoting measures.

We offer various training and qualification measures for managers that are designed to make diversity and inclusion firm elements of their day-to-day management work. Consequently this topic area is a component of existing training courses for managers and staff in human resources units. Among other things, these courses teach participants how to address stereotypes and prejudices.

In 2019, we held the seventh Daimler Diversity Day in cooperation with the Diversity Charter initiative, of which we are a founding member. The motto of the event was “Changing Perspectives. Ready to Be Different.”

Daimler has 12 official Employee Resource Groups that enable employees with shared interests, experiences, and values to discuss various issues across all business units and hierarchical levels.


Training for young people with disabilities is particularly important to Daimler. As early as 2006, we began cooperating with the severely disabled persons’ representative to put together a plan of action for taking on severely disabled trainees. In previous years Daimler AG already surpassed the legally prescribed share of 5%. Almost 9,000 employees with disabilities work at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. Daimler was presented with the German “Inclusion Award for the Economy 2019” in April 2019. The award jury honored the sustainable anchoring of disability inclusion in the company.

Daimler employs people from more than 160 nations, and we utilize this diversity to put together optimal teams.

Our generation management focuses on measures for maintaining the performance and health of younger and older employees as well as for promoting cooperation between people of different ages. Our Senior Experts program offers experienced retired employees the opportunity to come back to work and contribute their expertise to various projects for a

maximum of six months. More than 800 assignments of senior experts have taken place since this program was launched in 2013.

The principle of equality between men and women has been set out in binding form at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG in company-wide agreements on “The Advancement of Women” and “Equal Opportunity.” Daimler also complies around the globe with relevant international agreements and principles of social responsibility.

Our principles regarding diversity and equal opportunity are described in our Integrity Code and our Group-wide “Fairness in the Workplace” agreement. Employees who have been victims of discrimination, bullying or sexual harassment, or who observe improper behavior by colleagues, can report such violations of policy to their supervisors, the HR department, our counseling service, their local medical services organization or the Works Council. They can also contact our whistleblower system BPO (Business Practices Office). In this way, all staff members around the world, as well as external whistleblowers, can report violations that pose a high risk to the company and its employees.  [pages 213 ff, Integrity and Compliance](#)

Occupational health and safety

Our overarching goal is to maintain Daimler employees’ health and physical well-being over the long term. We employ a preventive approach for maintaining workplace safety and the health of our employees. This approach is designed to help prevent work accidents, work-related illnesses, and occupational diseases to the greatest extent possible.

Every organizational unit within the Daimler Group defines and pursues occupational safety objectives on a regular basis. We utilize a top-down approach for defining our objectives and programs. Here, the general overarching strategy is developed by the Chief Group Physician and the Chief Safety Engineer and then discussed with the Board of Management. This general strategy, which is binding for all organizational units at Group companies, is based on our occupational health and safety guidelines and occupational safety strategy, as well as the results of audits and reviews.

We monitor the implementation of the corporate policy on occupational health and safety internally by means of safety due diligence audits. These audits address areas such as safety and accident management, risks arising from dangerous activities, fire and explosion risks, risks posed by ambient conditions, and risks associated with equipment and machinery. Our Health & Safety staff notify the responsible unit managers about any risks that have been identified in the audits, and then make specific recommendations for eliminating them. By the end of the reporting period, 20% of all production locations in which we have majority holdings had been audited in this manner. We are looking to increase this figure to 100% by 2023.

Various locations have their occupational safety and health management systems certified independently by external certification agencies in accordance with the ISO 45001 (formerly OHSAS 18001) standard in addition to the safety due diligence audits. In 2019, approximately 100,000 employees were working at production locations with a certified management system. That corresponds to around 40% of our global workforce.

Daimler AG, Mercedes-Benz AG, and Daimler Truck AG utilize a cross-site accident documentation system in conjunction with a standardized statistics system. All sites issue reports on recent accidents and regularly disclose accident figures for their facilities. In addition, Corporate Safety annually defines targeted upper limits for accidents at our various sites and units. This approach is supplemented by annual agreements on goals with the respective body responsible for personnel. These agreements also include the implementation of measures relating to occupational health and safety. A monthly report is also produced for each business unit. Group-wide accident figures are reported to the Human Resources & Labor Relations Director every three months. [↗ E.03](#)

Our employees are provided with comprehensive occupational health advice and can also take advantage of various measures and services offered by our company health-promotion program and counseling service. For many years now our health management system has focused on forward-looking solutions that range from the job-related “Daimler GesundheitsCheck” and the ergonomic design of workstations to an IT system that makes it easier to permanently reintegrate employees suffering from limitations imposed by their health.

E.03

Accident figures¹

	2019	2018
Incidence of accidents		
Number of accidents (worldwide)	2,957	3,152
Incidence of accidents (worldwide, number of work-related accidents that resulted in at least one lost day per 1 million hours of attendance)	Rate 6.8	7.7
Accident downtime (worldwide, number of lost days per 1 million hours of attendance)	107	113
Number of deaths as a result of work-related accidents		
Number of employee deaths as a result of work-related accidents ²	1	1
Number of deaths of third-party employees as a result of work-related accidents	1	0

¹ Reporting rate of Daimler production locations worldwide: > 99%.

² Tragically, a Daimler employee and a third-party employee suffered fatal work-related accidents in Germany in 2019.

Social Issues

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

Incorporation of stakeholders

We consider it important to engage in a continuous dialog with all of our interest groups so that we can bring together various perspectives on our involvement with sustainability issues, identify and address future trends early on, and share experiences. We also want to engage in constructive discussions of controversial themes at a very early stage. We always focus on conducting a dialog that is fruitful and productive for both sides.

In order to conduct this kind of dialog, we need to identify our stakeholders. We define stakeholders as individuals and organizations that have legal, financial, ethical or ecological expectations regarding Daimler. One of the criteria for identifying and weighting stakeholders is the extent to which a person or group is affected by our company's decisions or, conversely, can influence such decisions. Our primary stakeholders are our shareholders, employees, customers, and suppliers. However, we also communicate regularly with civil groups such as NGOs, as well as associations, trade unions, the media, analysts, municipalities, residents in the communities where we operate, and representatives of science and government.

We utilize various instruments to identify and select relevant stakeholders. These instruments comprise, on the one hand, proactive methods for initiating a dialog with stakeholders. Examples here include the Daimler Sustainability Dialogue, stakeholder surveys, the Advisory Board for Integrity and Corporate Responsibility, specialist conferences, and thematic dialog sessions that can also take the form of workshops. On the other hand, we employ a monitoring approach that helps us identify specific developments and the associated expectations beyond the dialog events that we have initiated. Examples of this approach include participation in industry-specific and cross-industry networks and initiatives, consulting studies and publications, and media analysis.

Dialog at the Group level

In order to implement the dialog with our stakeholders throughout the Group, we have defined clear areas of responsibility, communication channels, and specific dialog formats. The proactive dialog with our stakeholders is initiated by experts from the Integrity and Legal Affairs division and coordinated by our corporate sustainability bodies.

One essential tool of the dialog with our stakeholders is the Daimler Sustainability Dialogue, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of our Board of Management and executive management. The participants attend a range of work-

shops, where they discuss issues related to sustainability and work together to further develop them. The Daimler representatives responsible for specific themes take up the impulses addressed in the discussions and work together with the stakeholders to incorporate these ideas into their work throughout the year. They then report at the event in the following year on the progress made in the interim. We held our 12th Daimler Sustainability Dialogue in Stuttgart during the year under review. The evening before the event was devoted to the topic of sustainable mobility in cities. On the main day of the event, more than 100 stakeholders split up into seven working groups to discuss themes such as human rights, environmental protection, autonomous driving, and artificial intelligence with Daimler representatives.

As a global company, we have set ourselves the goal of implementing sustainability standards at our business units and specialist units around the world. For this reason, we organize Daimler Sustainability Dialogue events in other countries and regions as well. Such dialog events have been held in China, Japan, the United States, and Argentina. During the year under review, more than 300 stakeholders attended the seventh Daimler Sustainability Dialogue in Beijing, where they discussed topics such as battery recycling, smart cities, and artificial intelligence. www.daimler.com/sustainability/daimler-sustainability-dialogue-2019.html

The Advisory Board for Integrity and Corporate Responsibility has been an important source of input for sustainability activities at Daimler since 2012. The board's members – external experts from the fields of science and business, as well as from civic organizations – utilize an external point of view to offer us critically constructive and independent support for the integrity and corporate responsibility process at Daimler. The board meets at regular intervals and also holds discussions with members of the Board of Management and responsible personnel from the respective specialist units. During the year under review, the Advisory Board also held a joint meeting with the Supervisory Board. The Advisory Board's members have extensive experience and possess a variety of specialized knowledge regarding environmental and social policy, various human rights and ethical issues, and the development of transport, traffic, and mobility. During the year under review, the Advisory Board focused in particular on the further development of our sustainable business strategy. daimler.com/nachhaltigkeit/grundlagen/integritaet/beirat-fuer-integritaet.html


We also maintain regular contact with representatives from civic organizations and other companies. In addition to the dialogs we initiate, we also participate in various associations,

committees, and sustainability initiatives. Some of the most important initiatives here are the UN Global Compact, econ-sense – a German business forum for sustainable development, and the World Business Council for Sustainable Development.

We also utilize online and print media, discussions with experts, workshops, and local and regional dialog events for our dialog with stakeholders. In addition to the formally structured dialog, we receive inquiries from stakeholders concerning various sustainability-related topics. These inquiries are addressed directly by specific specialist units and business units in a decentralized manner. This approach brings our stakeholders closer to our business operations and enables specialized knowledge to be directly incorporated into the dialog. Individual inquiries from stakeholders are also reported on in the meetings of our sustainability bodies and committees and are thus taken into consideration in the strategic decisions made by our sustainability management organization. Our sustainability bodies also coordinate dialog with our stakeholders on interdisciplinary issues. The topics addressed most extensively in discussions during the year under review included climate protection, respect for human rights, livable cities, data responsibility, and artificial intelligence.

Dialog at the local and regional levels

We also engage in a dialog with the stakeholders at our locations. In connection with specific occasions and projects, we address questions, concerns, criticism, and suggestions made by stakeholders and conduct an open-ended dialog with them. We also stage proactive dialog and information events on current topics. The results of all of our dialog measures are incorporated into decision-making and decision-implementation processes at the company. An example of such a result is the Urban Mobility Platform (PUM), which is an initiative launched by nine automotive industry companies and nine German cities. The platform was created in order to establish a continuous process of dialog and cooperation between cities and the automotive industry regarding the design of future mobility systems for urban areas. Daimler is a founding member of the initiative and also actively participates in its pilot projects.

 www.plattform-urbane-mobilitaet.de

Political dialog and representation of interests

As a company with global operations, we have to deal with a wide range of political and societal changes and decisions that have a major impact on our daily business activities. It is therefore important for Daimler that we represent the interests of our company in an open and trusting dialog and develop joint solutions. The overarching goal of our approach to representing our interests is to harmonize the company's interests with the interests of society at large as far as possible. On the one hand, we bring our ideas into social and political change and decision-making processes and, on the other hand, integrate social and political expectations into strategic and operational corporate decisions.

Political representation of interests means being in constant dialogue with decision-makers. These decision-makers include politicians, government officials, and representatives of political interest groups, trade organizations, business associations, and public officials. We conduct discussions with such individuals at various levels, listen to what they have to say, communicate our interests and concerns to them, and in this manner assume social responsibility. Our dialog with NGOs and various social movements is one of our core tasks and is becoming more and more important.

Our strategy for representing our political interests is systematically aligned with our corporate strategy. We focus here on issues such as climate protection and air quality, livable cities, vehicle safety, handling data responsibly, human rights, trade policy, location-specific matters, and labor legislation. In this context, we hold regular discussions and events in a variety of formats that allow us to systematically approach decision-makers and other societal protagonists and exchange ideas not only on core topics in the automotive industry but also on the issues that will shape its future. In the process we are open to constructive dialog with all relevant stakeholders, and we take other points of view into account in our activities. In addition, we contribute our knowledge and commitment to many discussions. For example, we participate in the strategic dialog for the automotive industry in Baden-Württemberg, as well as in the German government's National Platform Future of Mobility

E.04

Examples of instruments of stakeholder dialog


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

and many other forums. Here we work with government officials, politically and socially committed groups, opinion leaders, and experts in order to promote the transformation of the automotive industry.

Daimler has defined principles for political dialog and communicating our interests. In doing so, we maintain political restraint and balance and do not allow ourselves to be instrumentalised in party politics. With various instruments, we ensure that our political interests are in line with applicable regulations and ethical standards. In the association's work and cooperation with other companies, special attention is paid to the antitrust requirements. Our internally binding requirements are, among other things, laid down in a world-wide policy and in the Group's Integrity Code.


Our policy on "Lobbying and Political Donations" governs grants, donations to political parties, and the use of other instruments for representing our interests in the political realm. The Board of Management of Daimler AG decided not to make donations to political parties in 2019. This decision was not based on current political or economic developments.

As a company that does business worldwide, we encounter various political and societal changes and decisions that have a decisive impact on our own business operations. That is why it is important for Daimler to represent our company's interests in an open and trust-based dialog and to cooperatively work out solutions.

We seek to ensure that our political lobbying is carried out in accordance with applicable regulations and ethical standards. For this reason, Daimler is listed in the transparency register of the European Union and also complies with the register's Code of Conduct. The internal policies mentioned above describe how we address risks in connection with the political representation of our interests. These risks are also addressed through firmly established Group-wide compliance processes. Information about misconduct relating to our lobbying activities can be addressed to the BPO (Business Practices Office) whistleblower system.  [pages 213 f](#)

Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy unit, which is located in Stuttgart and falls under the responsibility of the Chairman of the Board of Management. This unit operates a global network with offices in Berlin, Brussels, Beijing, Singapore, Madrid, Stuttgart, and Washington and also has corporate representations in other key markets. Our objective is to ensure that our interests are represented by addressing political target groups in an organized manner using content which has been coordinated across the group.

The Head of External Affairs and Public Policy is also a permanent member of the Group Sustainability Board and as such is actively involved in many sustainability-related issues

 [page 198](#). In addition, the External Affairs and Public Policy department works closely with the specialist units on questions relating to the representation of the Group's interests. External Affairs also regularly holds Governmental Affairs Committees, at which the Head of External Affairs and other officials from the unit meet with Board of Management members and Level 1 managers to coordinate important upcoming lobbying decisions. In accordance with our policies, employees at Group companies of the Daimler Group and Daimler AG who represent our interests must register with External Affairs.

In addition to direct dialog with political decision-makers, we are represented via major industrial associations, such as the German Association of the Automotive Industry (VDA). In these ways we participate in many political debates concerning air pollution control in German cities and the promotion of sustainable mobility, for example. We are actively participating in the development of solutions by means of our know-how and our technology. We also maintain contact with representatives from civic organizations and other companies, and we participate in further associations, committees, and sustainability initiatives.

Integrity and Compliance

Shared values provide orientation in times of technological transformation and societal change. These values help us make the right decisions and act as a responsible member of society. Integrity is as much a part of everyday business conduct at Daimler as compliance and legal responsibility.

Integrity management

Our stakeholders, for example our shareholders or other societal stakeholders such as various associations, government bodies, our customers, and non-governmental organizations (NGOs), rightly expect us to act in an ethical manner and comply with all applicable laws and regulations. Such ethical conduct is also in our own interest.

We are firmly convinced that we can only be successful over the long term if we fulfill not only our financial responsibility but also our responsibility to society and the environment – on both the local and global levels. For us, this involves more than just obeying laws, as we also seek to align our activities with shared principles and values. The concept of integrity plays a key role here. Integrity is one of the four corporate values that form the foundation of our business activities and shape the way we view ourselves.

For Daimler, integrity means doing the right thing by acting on our values. More specifically, our aspiration is to always comply with internal and external regulations, act in accordance with our corporate values, and listen to our inner compass. This is especially important in situations for which there are no clear rules, or in which the rules that do exist can be interpreted in different ways.

Integrity also plays an important role in the development of new products and services. That's why our focus on integrity begins with product-creation and decision-making processes. This approach helps to reduce legal risks and protect the company's reputation.

How we make integrity part of our daily business activities

Our Integrity Code defines guidelines for our everyday business conduct, offers our employees orientation, and helps them make the right decisions even in difficult business situations. In doing so, we act in accordance with our corporate principles, which involves more than just complying with laws and regulations. We also take responsibility for our actions and seek to strike a balance between profitability and the needs of people and the environment. Openness and transparency form the foundation of our conduct, and our collaboration is based on trust and respect. We view the diversity of our workforce as one of our strengths.

Employees from different departments and units throughout the Group helped us create this policy. The rules contained in

the Code are binding for all employees at Daimler AG and the Group companies, and we expect all of our employees and business partners to adhere to the underlying principles out of a sense of conviction. The Integrity Code has been published in ten different languages. A separate website for the Integrity Code has been set up on the Group's intranet. This site offers a clear overview of all sections of the Code, as well as detailed information on specific issues and information on contact persons and points of contact for discussing integrity-related issues.

Our Integrity Code also defines requirements for our managers: We expect our executives at all levels to serve as role models in terms of ethical behavior and thus offer employees guidance in this regard.

The task of Integrity Management is to promote and further develop the culture of integrity at the Daimler Group. The unit's goal is to establish and maintain a common understanding of integrity in order to reduce risks and help ensure Daimler's sustained success. The unit's experts for change management, corporate responsibility management, training, and consulting develop innovative and employee-focused approaches and formats that are designed to strengthen the culture of integrity. The Head of Integrity Management reports directly on a regular basis to the member of the Board of Management responsible for Integrity and Legal Affairs. The Head of Integrity Management also participates in all executive-management meetings.

Because of their strategic significance, we have combined the responsibilities for integrity, compliance, and legal affairs within a single executive division. This division supports all corporate units in their efforts to ensure that these issues remain an integral component of daily business conduct over the long term.


Contacts for integrity-related questions and issues

Our "Infopoint Integrity" is the central contact and advice center for all employees and managers who need advice on integrity-related questions and issues. The Infopoint either offers direct assistance by obtaining the relevant information from the specialists responsible, or else ensures that inquiries are forwarded to the appropriate contact partner. In line with this approach, the Infopoint works together with experts for legal and HR issues, data protection, compliance, diversity, and sustainability as well as other specialist units. A worldwide network of local compliance and legal contact persons is also available to our employees.

Measures for promoting ethical conduct

Whether it's dialog sessions, training courses, consulting or employee surveys – we employ numerous measures to initiate discussions on the topic of integrity and promote ethical and responsible behavior. In this way we provide employees at all levels of the hierarchy with crucial support in their daily activities and decision-making.

Input from employees

Our “Big Picture Integrity” survey is an important element for strengthening and further developing our culture of integrity. This global employee survey on integrity and compliance was conducted throughout the Group in the fall of 2019. The survey results form the basis for strengthening our corporate culture in this regard, as they reveal areas of action and help us formulate appropriate measures for addressing the associated issues. The results are also used to help define the non-financial goals relating to “Integrity” and “Diversity” for the management remuneration system.  [pages 112 f](#)


A network of integrity contact persons enables our business divisions to validate, prioritize, and implement integrity-related measures in their organizations. Integrity Management supports such efforts by making contact persons for relevant issues available and offering an Integrity Tool Kit on the intranet that can be used by all interested employees. This Tool Kit contains information, formats for reflection, case studies, and other tools that can be used by individuals or groups to address the topic of integrity. A major focus of our work in 2019 involved dialog sessions that are designed to establish a better understanding of integrity at our various business divisions and the “Speak Up” initiative. We see “Speak Up” as promoting a culture in which all topics can be addressed in an open manner. In addition, we are providing more support to our business divisions with regard to the responsible handling of personal data in connection with the challenges associated with data-based business models. Here we offer assistance to all employees via the company intranet.

Communication at all levels

We conduct an ongoing open dialog with our employees in order to ensure that integrity will remain embedded in the company's daily business over the long term. We regularly address integrity issues in our internal media and make a wide range of materials available to our corporate units – for example brochures, films, and an app that provides information on integrity, compliance, and legal affairs. We also place great value on face-to-face discussions. For this reason, we regularly conduct individually designed dialog events with employees at all levels of the hierarchy, as well as with external stakeholders. These events are held both in Germany and at our locations abroad.

In the course of these events we provide food for thought, consider integrity from a range of different perspectives, and increase the participants' awareness of the importance of making ethical decisions. For example, we present case studies that enable employees to experience and discuss the relevance of integrity to daily business operations from various viewpoints, and then put what they learn into practice.

Training for employees and managers

Our measures for further developing our integrity management system also include a broad range of training programs that are continuously expanded and updated. All employees and managers participate in a web-based integrity training program at regular intervals. In order to offer participants optimal support, the training program also contains a management module that is compulsory for all management staff. It explains in detail the role of executives and managers with regard to integrity, compliance, and applicable law. Furthermore, selected seminars designed to enhance the qualifications and skills of our management staff also include modules that focus on integrity.  [page 214](#)

Our Compliance Management System

Value-based compliance is an indispensable part of our daily business activities at Daimler. For us, compliance means acting in accordance with laws and regulations. Our objective here is to ensure that all of our employees worldwide are always able to carry out their work in a manner that is in compliance with applicable laws, regulations, agreements with workers' representative bodies, voluntary commitments, and our values, as set out in binding form in our Integrity Code.

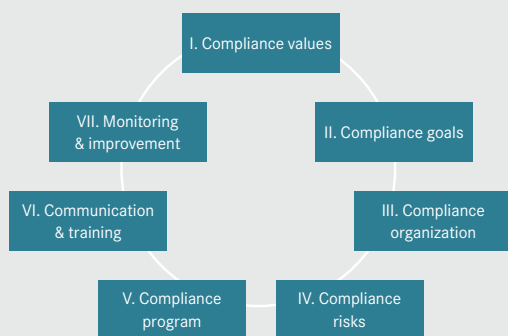
Our compliance activities focus on complying with anti-corruption regulations, the maintenance and promotion of fair competition, the compliance of our products with technical and regulatory stipulations, respect for and the protection of human rights, adherence to data protection laws, compliance with sanctions, and the prevention of money laundering.

Our Compliance Management System (CMS) consists of basic principles and measures for the promotion of compliant behavior throughout the Group. The CMS is based on national and international standards and is applied on a global scale at Daimler AG and all Group companies. The CMS consists of seven elements that build on one another.

Compliance values and objectives

The objective of our CMS is, on the foundation of our culture of integrity, to promote compliance with applicable laws and policies within the company and on the part of its employees and to prevent inappropriate behavior. The measures needed for this are defined by our compliance and legal organizations in a process that also takes the company's business requirements into account in an appropriate manner.

Further information on integrity at Daimler:  [page 211](#)

E.05**The Daimler Compliance Management System****Compliance organization**

Our compliance and legal organizations have set themselves the goal of ensuring Group-wide conformance with laws and regulations. Our compliance organization is structured in a divisional and regional manner, while our legal organizations are structured divisionally, regionally, and along the value chain. These structures enable us to provide optimal support and advice to our divisions.

A contact person is made available to each function, division, and region. In addition, a global network of local contact persons makes sure that our standards are met throughout the Group and also helps local management at Group companies implement our compliance program.

Involvement of company management

Our divisional and regional compliance managers report to the Chief Compliance Officer. This guarantees the compliance managers' independence from the business divisions. The Chief Compliance Officer, the Vice President & Group General Counsel, and the Vice President Legal Product & Technical Compliance report directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board.

They also report regularly to the Board of Management of Daimler AG on matters such as the status of the Compliance Management System and its further development, the status of the whistleblower system and, if necessary, on other topics. In addition, the Vice President & Group General Counsel regularly reports to the Antitrust Steering Committee and the Group Risk Management Committee, to which the Chief Compliance Officer and the Vice President Legal Product & Technical Compliance also report.

Compliance risks

We systematically pursue the goal of minimizing compliance risks, and we analyze and assess the compliance risks of our Group companies every year. These analyses are based on centrally compiled information on the Group companies and take specific additional details into account as needed. The results of the analyses form the basis of our risk control.

Compliance program

Our compliance program comprises principles and measures designed to reduce compliance risks and prevent violations of regulations and laws. The individual measures, which are based on the knowledge gained through our systematic compliance risk analyses, focus on the following aspects:

The whistleblower system BPO

The whistleblower system BPO (Business Practices Office) enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The BPO is available around the clock to receive information that is sent by e-mail or normal mail or by filling out a special form. An external toll-free hotline is also available in Brazil, the United States, Japan, and South Africa. Reports can be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to an external neutral intermediary in addition to the BPO.

The information provided to the BPO whistleblower system enables us to learn about potential risks and specific violations that pose a high risk to the company and its employees, and this in turn allows us to prevent damage to the company and its reputation. High-risk rule violations include, for example, offenses relating to corruption, breaches of antitrust law, and violations of Anti-Money Laundering regulations, as well as serious violations of binding technical provisions. Employees who wish to report violations that pose minor risks can approach their supervisor, their Human Resources department, the Group Security Office or their local employee representation.

A globally valid corporate policy defines BPO procedures and the responsibilities of the various departments and individuals in the organization. This policy aims to ensure a fair and transparent approach that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. It also defines a standard for evaluating incidents of misconduct and making decisions about their consequences.

In an effort to increase trust in our whistleblower system and make it even better known within the Group, we have established a continuous communication process that includes the periodic provision of information to employees about the type and number of reported violations. We also supply information materials such as country-specific information cards. In addition, we have produced an instructional video and stage dialog events at selected locations as well.

In 2019, 59 new BPO cases were opened. A total of 44 cases in which 72 individuals were involved were closed "with merit." In these cases, the initial suspicion was confirmed. Seven of these cases were in the category "Corruption", while five related to "Technical compliance" and five concerned "Reputational damage." Accusations of inappropriate behavior of employees toward third parties were confirmed in 13 cases. Four cases were categorized as "Damage exceeding 100,000 euros." The remaining cases fell into other categories. With regard to those cases that are closed "with merit," appropriate

response measures are decided in line with the principles of proportionality and fairness. Personnel measures taken in the reporting year 2019 included the issuing of warnings and final warnings, as well as separation agreements and terminations.

Compliance on the part of our business partners

We also require our business partners to adhere to clear compliance requirements because we regard our business partners' integrity and behavior in conformity with regulations as a precondition for trusting cooperation. In the selection of our direct business partners, we therefore ensure that they comply with the law and observe ethical principles. In financial year 2019, we made full use of our globally standardized process for the effective and efficient examination of all new and existing business partners (Business Partner Due Diligence Process). Our continuous monitoring here is designed to ensure that we can identify possible integrity violations by our business partners. We also reserve the right to terminate cooperation with, or terminate the selection process for, any business partner who fails to comply with our standards. In addition, we work with our procurement units to continuously improve our processes for selecting and cooperating with suppliers.

Our global Daimler Supplier Sustainability Standards apply in this area. On the basis of these standards and our Integrity Code, we make available to each of our suppliers and sales partners a specific Compliance Awareness Module developed with their activities in mind. This module also contains provisions similar to those that can be found in the general Compliance Awareness Module for sales partners, which was introduced in 2016 and is designed to increase their awareness of compliance requirements.

Further information on expectations regarding our business partners: daimler.com/sustainability/human-rights/our-business-relationships.html

Communication and training

We offer extensive compliance training courses that are based on our Integrity Code. We conduct a training needs analysis at regular intervals, adjust and/or expand the training program, and subsequently carry out an evaluation.

All employees at Group companies can also participate in a web-based and target group-oriented training program consisting of several modules – a basic module, a module specifically for managers, and expert modules on subjects such as antitrust law, data protection, technical compliance, benefits in kind for employees, and function-specific topics in areas such as procurement and sales. Our training activities in 2019 focused on, among other things, web-based courses on technical compliance and antitrust law, expert seminars lasting for several days on the topic of data compliance, webinar series on preventing money laundering, and new web-based modules for suppliers and business partners.

Office employees are required to complete those modules relevant to their role and function. We assign the associated modules to them automatically or in a centralized process. These training modules are assigned when an employee is hired, promoted or transferred to a position that involves an increased risk. This approach ensures that personnel changes are properly addressed. In general, the program must be repeated

approximately every three years. Factory employees can complete the web-based training program voluntarily.

The web-based training courses are supplemented by classroom training sessions that are conducted by central or local trainers. We provide our internal trainer network with modular training documents and materials for methodical implementation, such as a trainer guideline and explanatory videos that can be used in a target group-specific manner and in accordance with the risks associated with the participants' jobs. In 2019 a total of approximately 117,600 employees from diverse levels of the hierarchy participated in classroom-based and web-based training programs.

We also offer our employees in the compliance and legal organizations courses that address legal changes and changes to compliance regulations; these courses are taught by experts in the respective fields. In addition, new employees at our integrity, compliance, and legal organizations receive a comprehensive introduction in the course of an onboarding program.

We also offer information and qualification measures to individuals who perform supervisory and management functions, including new members of the Supervisory Board of Daimler AG. Among other things, the onboarding program for new Supervisory Board members provides information about the antitrust compliance program and technical compliance management. In 2019, new members of the supervisory boards of Group companies were also provided with information on various issues relating to compliance, data protection, and integrity. In addition, these new supervisory board members participated in a "Know Your Responsibilities" onboarding program to make them more aware of compliance-related topics (for example anti-corruption policies) and the aspects of integrity at the Group companies.

New members of executive bodies of Group companies are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator, which is a module that provides information on their tasks and responsibilities, contact partners, and points of contact that deal with central issues addressed by the Integrity and Legal Affairs division and adjacent units. The module thus supports such executives in their new role.

All of these training measures contribute to the permanent establishment of ethical and compliant behavior at the company and also help our employees deal with specific issues that can occur at work.

The same is true of the Daimler app for integrity, compliance, and legal affairs. The app is available to all employees with a company-owned device. Among other things, the app enables mobile access to practical information on subjects such as corruption prevention, antitrust law, technical integrity, and data protection, with additional topics being added as required.

Within the framework of our training program, we also offer our business partners special modules on integrity and compliance (including corruption prevention). These courses are offered as web-based training or classroom training sessions. Daimler informs its business partners about the courses and invites them to participate.

Monitoring and improvements

Every year, we review the adequacy and effectiveness of our Compliance Management System and adapt it to global developments, changed risks, and new legal requirements. We also monitor important core processes during the year on the basis of key performance indicators (KPIs) that include process duration and quality. To determine these indicators, we check, among other things, whether formal requirements are met and the content is complete. In addition, we analyze the knowledge gained through independent internal and external assessments.

We use these activities as a basis for defining any required improvement measures, which are implemented by the responsible Group companies and then monitored on a regular basis. The relevant management bodies continuously receive reports on these monitoring activities.

Main topics for compliance management

Eliminating corruption, preventing antitrust violations, ensuring product compliance with technical regulations and regulatory provisions, combating money laundering and the financing of terrorism, ensuring compliance with sanctions, and observing data protection legislation – we implemented our Compliance Management System (CMS) in order to address exactly these issues, which are extremely important to us. Our Group-wide approach to respecting and upholding human rights is also based on our CMS.

Anti-corruption compliance


Daimler has committed itself to fighting corruption in its business activities. Along with complying with all applicable laws, this also involves adhering to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). As a founding member of the UN Global Compact, Daimler also seeks to ensure that not only the company itself but also its business partners act in accordance with the principles of the UN Global Compact. The most important goals here are to fight corruption around the world in order to enable fair competition, eliminate the damage corruption does to society, and thus improve conditions for everyone.

Our anti-corruption compliance program is based on our comprehensive Compliance Management System. The program is globally valid and particularly consists of an integrated risk assessment process that takes into account internal information such as a unit's business model and external information such as the Corruption Perceptions Index from Transparency International. The results of our risk assessment analyses form the basis of risk-based measures for avoiding corruption in all business activities (e.g. reviews of business partners and transactions) and measures to ensure that special care is

taken in contacts with authorities and public officials. Our risk-minimization measures focus in particular on sales companies in high-risk countries and business relationships with wholesalers and general agencies worldwide.

The responsibility for implementing and monitoring measures lies with each Group company's management, which cooperates closely with the specialist units within the Integrity and Legal Affairs division. Companies exposed to a high corruption risk are supported by an independent Local Compliance Officer who assists the responsible management team with the implementation of the anti-corruption compliance program.

Daimler places the same strict requirements on all of its activities around the world. In addition, we continuously improve our methods and processes and use a variety of communication and training measures to make our employees around the world more aware of the importance of fighting corruption. Further information on communication and training:

 [page 214](#)

In order to ensure an independent external assessment of our Anti-Corruption Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for anti-corruption in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was already successfully completed at the end of 2019.

Antitrust compliance

Our Group-wide Antitrust Compliance Program is oriented to national and international standards for ensuring fair competition. The program establishes a binding, globally valid Daimler standard that defines how matters of antitrust law are to be assessed. The Daimler standard is based on the standards of the underlying European regulations and takes into account established legal practice at European antitrust authorities, as well as the rulings of European courts. The objective of the Daimler standard is a uniform level of compliance and advice in all countries and thus compliance with all local and international antitrust laws.

By means of an advisory hotline, guidelines, and practical support, we help our employees around the world recognize situations that might be critical from an antitrust perspective and also to act in compliance with all regulations. This is particularly important when employees deal with competitors, cooperate with dealers and general agencies, and participate in trade association committees. In addition to Daimler's Legal department and its specialist advisers, the Group's global divisions can turn to local legal advisers, who also ensure that our standards are consistently upheld.

The results of our annual compliance risk analysis serve as the basis for the formulation of measures that address antitrust risks. The responsibility for designing and implementing measures lies primarily with each Group company's management, which is also responsible for monitoring the effectiveness of the measures employed. Within the framework of its Group management responsibilities, Daimler AG monitors the executive management bodies of the respective Group companies. As a result, the managers at Group companies cooperate

closely with Integrity and Legal Affairs, which also provides information on how to implement compliance measures effectively. Units that face a higher potential risk in particular must also systematically assess the adequacy and effectiveness of locally implemented antitrust compliance measures at regular intervals. In addition, our Legal and Corporate Audit departments conduct monitoring activities at our divisions, as well as random audits, in order to determine whether antitrust laws and internal standards are complied with. This helps us continuously improve the effectiveness of our Antitrust Compliance Program and adapt it to global developments and new legal requirements. The associated methods and processes are being constantly refined and improved.

We utilize a variety of training and communication measures to make our employees aware of the importance of competition and antitrust laws and issues. Such measures during the year under review included both classroom courses and online training courses; the latter are mandatory for staff above a certain hierarchical level. Training in 2019 focused on the topics of "Contact with competitors in general" and "Antitrust cooperations". Training courses held abroad or at international Group companies are independently organized and conducted by local legal departments as required.

Further information on communication and training:

 [page 214](#)

In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit, which was based on the principles of appropriateness, implementation and effectiveness, was already successfully completed at the end of 2016 (antitrust) and at the end of 2019 (anti-corruption).

Technical compliance

For us, technical compliance means adhering to technical and regulatory requirements, standards, and laws while taking into account the fundamental spirit of these laws and regulations as well as adhering to internal development requirements and processes. In order to address the specific risks associated with the product creation process, we combined the existing systems and additional measures and processes at the Daimler AG automotive divisions into a technical Compliance Management System (tCMS). The purpose of the tCMS is to safeguard legal and regulatory conformity during the entire product development and certification process and to provide orientation and guidance for our employees by defining specific values, principles, structures, and processes.

The tCMS is managed Group-wide by an independent governance body whose director reports directly to the Board of Management member for Integrity and Legal Affairs. This body consists of employees with expertise in various fields, such as development, legal affairs, integrity and compliance. In order to provide optimal support to the divisions, the independent governance body has a divisional structure. The governance body's tasks include the design of the technical Compliance Management System and the provision of legal advice to the divisions.

We have also created dedicated expert units for technical compliance in the development departments at our vehicle-related divisions. Among other things, these units manage a network of technical compliance contact persons at development and certification departments. This network serves as a link between operating units and the compliance organization and also supports the development departments in matters of technical compliance. Complex questions regarding technical compliance are evaluated and then decided in an interdisciplinary process that takes into account technical, legal, and certification-relevant criteria. Our BPO whistleblower system is also available as a contact partner for reporting technical compliance violations.

During the year under review, the Daimler AG Board of Management adopted the tCMS policy. It describes key tCMS elements and defines the roles and responsibilities of all relevant functions. Process descriptions and rules of procedure for tCMS committees in Group companies in scope of application of the tCMS have been drawn up for relevant tCMS elements. The tCMS policy applies to all Group companies worldwide that conduct relevant development and certification activities.

We have made use of various communications measures such as "Tone from the Top" mailings and special training courses and dialog sessions in order to sensitize employees at development and certification units at all divisions to issues relating to technical integrity, compliance, and legal regulations in the product creation process.

Further information on communication and training:

 [page 214](#)

The Technical Integrity initiative, as part of the tCMS, focuses on strengthening awareness of the importance of responsible behavior during the product creation process, particularly in situations where legal provisions may be unclear. Together with the relevant development departments, we have supplemented the provisions of the Integrity Code by formulating so-called commitment statements that support employees and offer them guidance for ensuring proper conduct in their daily activities. These principles have been discussed with employees at dialog sessions held around the world. Various communications measures regarding the commitment statements have been made known to all employees and were anchored in selected training courses.


We also conduct in-depth discussions on safeguarding technical compliance with business partners and selected suppliers. In October 2019, for example, we held a Supplier Dialog event with relevant suppliers. This event was attended by executives, technical compliance managers, and technical project managers from participating supplier companies. Among other things, the objective here was to make suppliers more aware of the regulatory framework, provide them with information on how Daimler safeguards technical compliance, and explain to them what we expect from our suppliers in this regard.

The effectiveness of our tCMS is monitored in the annual monitoring-process. Measures identified by this process will be considered in the improvement of the tCMS and are addressed for implementation.

Data compliance

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

The regulatory requirements relating to data protection have become significantly more stringent in recent years, mainly as a consequence of the implementation of the European Union's General Data Protection Regulation (GDPR). We are addressing the increased requirements within the framework of our Group-wide Data Compliance Management System (Data CMS), which along with our data vision and our data culture is a fundamental component of our overarching Data Governance System. Our new Data Protection Policy EU and our Global Data and Information Policy form the basis for the handling of employee, customer, and business-partner data in a sustainable manner in accordance with all legal requirements.

The Data CMS, which combines all Group-wide measures, processes, and systems for ensuring data protection compliance, is based on the existing Daimler Compliance Management System (CMS). The Data CMS supports the systematic planning, implementation, and monitoring of compliance with data protection requirements. Such measures include programs that help ensure compliance with the GDPR and local data protection laws, as well as various communication and training measures and measures for product-related data protection activities.  [page 214](#)

In 2017, we created the Data Compliance unit to set up the Data Compliance Management System. This unit defines the individual elements of the Data CMS and manages its implementation throughout the Group. To this end, the Chief Compliance Officer submits data compliance reports on a regular basis to the Board of Management member of Daimler AG for Integrity and Legal Affairs, and also provides information on relevant developments in his quarterly reports to the Board of Management.

At the same time, the Chief Officer Corporate Data Protection performs the tasks required by law to ensure compliance with data protection rules. Here the Chief Officer Corporate Data Protection works with a team that monitors compliance with applicable data protection laws and the Daimler Data Protection Policy. In addition, the Chief Officer Corporate Data Protection handles complaints regarding data protection and is also responsible for issuing mandatory reports to supervisory authorities and consulting privacy impact assessments. The Chief Officer Corporate Data Protection is independent and reports directly to the Board of Management member for Integrity and Legal Affairs.

Since the end of 2018, we have been realigning the previous network of local data protection coordinators and merging this network into our global compliance network. This process will be completed by the end of 2020. We specifically prepare Local Compliance Officers and Local Compliance Responsibles for their new tasks in the field of data compliance and support them with training courses and consultation.

A key component of the Data CMS is the Data Compliance Risk Assessment, which is a systematic process conducted by the Data Compliance unit each year in order to identify, analyze, and evaluate data compliance risks at Daimler. The assessment is performed for both Group companies and corporate departments. The analyses are based on centrally compiled information on all units at the Group; specific additional details are taken into account in line with the given risk assessment. The results of the analyses form the basis for managing and minimizing risks in a targeted manner.

Employees are instructed to report all potential data protection incidents internally via the Information Security Incident Management Process. Criminal violations of data protection rules are addressed by the whistleblower system BPO (Business Practices Office), which can also be used by external stakeholders who wish to report violations of laws or internal regulations.

We document and evaluate the implementation of defined data compliance measures within the framework of a monitoring and reporting process. For example, our compliance organization conducts an annual evaluation to assess the adequacy and effectiveness of our Data CMS. We document in our compliance reporting system any areas where action needs to be taken, and we also monitor the implementation of the associated measures. If necessary, the compliance organization will make adjustments to the Data Compliance Management System on the basis of the knowledge gained from the evaluation, while also taking into account changes to the risk situation and new legal requirements.

Anti-financial crime compliance

Money laundering and the financing of terrorism pose considerable sociopolitical risks. For this reason, the prevention of money laundering and the implementation of anti-money laundering measures have been defined as central compliance goals in our Integrity Code. In its core business, the global production and sale of vehicles, Daimler AG and its Group companies conduct their operations in accordance with the provisions of the German Money Laundering Act (GwG), which apply to “distributors of goods.” As a result, we are required to implement Group-wide and thus worldwide measures to prevent and combat money laundering and the financing of terrorism (Anti-Money Laundering – AML – and Counter Terrorist Financing – CTF – policies).

The Chief Compliance Officer officially serves as the Group Anti-Money Laundering Officer of Daimler AG in its role as a distributor of goods. The Chief Compliance Officer reports directly to the Board of Management and also serves as the point of contact for regulatory authorities, law enforcement agencies, authorities responsible for the prevention, investigation, and elimination of potential threats, and Germany’s Financial Intelligence Unit. In his capacity as the Anti-Money Laundering Officer, the Chief Compliance Officer has sufficient authority and means to perform his duties.

Daimler AG and its Group companies pursue an integrated compliance approach in all areas of the Group and around the world. This approach takes the form of a central Group unit, “Anti-Financial Crime,” and ensures that checks against sanctions lists are always carried out before Anti-Money Laundering measures are implemented. This integrated approach links prevention of the circumvention of supranational and national sanctions with measures to prevent and combat money laundering, the financing of terrorism, organized crime, and other corporate crime. This is important, as these risks can not only have a negative impact on society; they can also cause long-term damage to our reputation, as well as financial damage that can negatively affect our Group companies and our shareholders and stakeholders.

The Anti-Financial Crime specialist unit assists the Anti-Money Laundering Officer by acting as the Group organization for ensuring that Daimler AG and Group companies comply with the provisions of the GwG across all divisions in their role as distributors of goods. The unit is also responsible for the Group-wide Sanctions Compliance Program. As a central Group organization, the specialist unit therefore also brings together under one roof our two Centers of Competence for Preventing and Combating Money Laundering and the Financing of Terrorism and the Center of Competence for Sanctions Compliance.

The Daimler AG Sanctions Compliance Program, which is valid for all Group companies, includes systematic reviews of compliance with sanctions lists by all units, divisions, and companies worldwide. More specifically, such reviews check whether the names of affected natural persons or legal entities can be found on any sanctions list around the globe. We therefore check both supranational sanctions lists such as those published by the United Nations and the European Union and national sanctions lists from various countries, in particular the United States. As required by law, such reviews are conducted for customers and business partners, for example in sales and procurement, as well as for employees and strategic cooperation partners. Checks against sanctions lists, which are performed in close cooperation with the Export Control department, take data protection law provisions into account.

Measures to combat money laundering and the financing of terrorists are defined for Daimler Mobility AG (DMO) and the Group companies that belong to it by a separate framework divisional guideline that also serves as a basis for the policies at DMO companies. An independent network of local Anti-Money Laundering (AML) Officers has also been established for the individual Group companies allocated to DMO.

Human rights compliance

Public interest in compliance with human rights in the automotive industry is increasing. One important reason for this development involves the new challenges associated with the expansion of electric mobility. More specifically, there are concerns that the raw materials needed to manufacture electric vehicles might possibly be obtained under conditions that are critical in terms of human rights. We at Daimler have noticed an continuing interest in human rights on the part of investors, which indicates to us that corporate activities related to human rights are having an increasing influence on investment decisions. Legislation relating to compliance with human rights is also being expanded. It is conceivable that new laws governing human rights due diligence obligations could be adopted in Germany after the federal government's National Action Plan on Business and Human Rights comes to an end in 2020. At the EU level, it is possible that legislative initiatives on human rights could be introduced when Germany assumes the Presidency of the European Council.

For Daimler, respect for human rights is a fundamental component of responsible corporate governance. We are committed to ensuring that human rights are respected and upheld in all of our Group companies and by our suppliers. Respect for human rights is therefore a key component of our Group-wide sustainability strategy and our understanding of integrity and ethical behavior. The nature of critical human rights issues varies among regions and suppliers and also depends on the raw materials, services, and supply chains in question. For this reason, when implementing our approach to respecting and upholding human rights, we not only take into account our own plants and facilities but also include risk-based analyses of the entire supply chain.

The following standards and guidelines in particular serve as the key frame of reference for our human rights regulations and our conduct in this regard: the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights (including the relevant provisions from the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights), Germany's National Action Plan on Business and Human Rights, and the Core Labor Standards of the International Labour Organization. The human rights issues we focus on and which have been derived from these frames of reference to enable us to fulfill our due diligence obligations are contained in our Integrity Code www.daimler.com/documents/sustainability/integrity/daimler-integritycode.pdf and the Daimler Supplier Sustainability Standards. supplier-portal.daimler.com/docs/DOC-1547

To ensure that human rights are respected and protected, Daimler has developed a due diligence approach called the Daimler Human Rights Respect System (HRRS). It aims to protect the human rights of our own employees and to ensure that human rights are respected at our direct suppliers (Tier 1) and at risk-relevant points of the supply chain beyond Tier 1. In the spring of 2019, we established a new Social Compliance department. This department is responsible for leading the implementation of our HRRS and to this end utilizes tried and tested methods and processes from our Compliance Management System. Plans call for the HRRS for Daimler AG Group companies to be gradually integrated into the Group-wide CMS. Within the framework of the HRRS, we are also develop-

ing a separate due diligence approach for ensuring compliance with human rights in the supply chain. This approach is based on a foundation of proven compliance management systems.

As a proactive risk management system, the HRRS is designed to identify and avoid systemic risks and possible negative effects of our business activities on human rights early on. The HRRS thus primarily protects third parties, i.e. rights-holders, and is aimed at exerting its effect along our supply chain as well.

With regard to Group companies, the risk assessment in the course of the integration into the Daimler CMS envisages the regular classification of the Group companies, initially on the basis of predefined criteria such as the risks associated with specific countries and specific business operations. Here we take into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and those formulated by the International Labour Organization (ILO). We plan to use the reviews as a basis for performing a more detailed annual analysis with the help of a human rights survey conducted by the Group. To this end, we launched a pilot project in 2019 that initially includes seven Group companies. We want to use the knowledge gained from the project to expand our range of systematic risk analyses, which will then be performed at all remaining Group companies.

Within the framework of advance risk assessment activities that are part of a separate due diligence approach for our supply chains, we have identified 24 raw materials and 27 services whose extraction and further processing/provision (services) pose a potentially critical human rights risk. Various international reference documents serve as the basis for these risk assessments. With regard to raw materials, we use the "Child and Forced Labor List" from the US Department of Labor, for example. Extraction and mining methods, and the countries where raw materials are located, all play an important role in our analyses. With regard to services, we make use of the Corruption Perception Index published by Transparency International. This list is compiled on the basis of an assumption that countries which display a high risk of corruption are also more likely to pose a risk in terms of human rights.

The lead responsibility for the controlling of human rights issues lies with the Integrity and Legal Affairs executive division of Daimler AG. The member of the Board of Management responsible for Integrity and Legal Affairs works with the procurement units on ensuring human rights compliance and also receives regular information and the corresponding reports on human rights activities from the Chief Compliance Officer and from specialist units in the Social Compliance and Corporate Responsibility Management departments. Relevant procurement units also provide information on their respective human rights compliance measures to the Procurement Council (PC) and the Board of Management members directly responsible for the units in question. This is supplemented by regular reports submitted to the entire Board of Management and the Corporate Sustainability Board (CSB). Cross-functional teams work closely on the development and implementation of suitable preventive activities and countermeasures. The teams consist of human rights and compliance experts, as well as staff from the operational procurement units and, if necessary, from other specialist units as well. The relevant specialist units and units are responsible for implementing and monitoring the measures developed in each case.

Limited Assurance Report of the Independent Auditor regarding the Combined Separate Non-financial Report¹

To the Supervisory Board of Daimler AG, Stuttgart

We have performed an independent limited assurance engagement on the combined separate non-financial report of Daimler AG, Stuttgart and the Group (further "Daimler") as well as the by reference qualified parts "Business model", "The workforce", "Legal risks" and "Non-Financial risks" (further: "Report") according to §§ 315b and 315c in conjunction with 289b to 289e German Commercial Code (HGB) for the business year from January 1 to December 31, 2019.

Management's Responsibility

The legal representatives of Daimler are responsible for the preparation of the Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and quality assurance on the part of the auditing firm

We are independent from the entity in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance

engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Report of the Report for the period from January 1 to December 31, 2019 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following assurance procedures:


- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of Daimler
- A risk analysis, including a media search, to identify relevant information on Daimler sustainability performance in the reporting period
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Tuscaloosa (USA), Bremen and Wörth (both Germany)
- Assessment of the overall presentation of the disclosures

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of for Daimler the business year from January 1 to December 31, 2019 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Restriction of Use/Clause on General Engagement Terms

This report is issued for purposes of the Supervisory Board of Daimler AG, Stuttgart, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Daimler AG, Stuttgart, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017  https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf.

By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us

Stuttgart, February 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Dr. Thümler
Wirtschaftsprüfer
(German Public Auditor)

Mokler
Wirtschaftsprüfer
(German Public Auditor)

¹ Our engagement applied to the German version of the Report 2019. This text is a translation of the Independent Assurance Report issued in the German, whereas the German text is authoritative.