DAIMLER

Sustainability Report 2020

SpurWechsel

WE ARE CHANGING LANES

Navigation

We want to offer you information that is as comprehensive and detailed as possible, and we therefore provide references to further information located both inside and outside this report. If you are reading this report in a PDF viewer (e.g. Adobe Acrobat Reader), you can call up the linked Table of Contents in order to navigate easily through the chapters.

For technical notes regarding CO_2 labeling: see Appendix

Reference to chapter/section of the report
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Foreword

GRI 102-14

Dear readers,

What a number! 2,400,000,000. Worldwide CO_2 emissions decreased by 2.4 billion tons in 2020 by comparison with the previous year. That was the biggest absolute decrease ever.[1] Under normal circumstances, how joyously we would be celebrating this achievement! But in view of the ongoing struggle against covid-19, speaking of normality is out of the question. The current environmental benefits are mainly based on the necessary, but not permanent, limitations that have been placed on our personal, social, and economic life.

What we need is a fundamental "SpurWechsel" – a lane change – that leads to decreasing CO_2 emissions even under "normal" circumstances, without a pandemic or a lockdown. It accomplishes this not through the limitation of economic and social life but by means of its decarbonization. At Daimler, we have committed ourselves to this lane change. Our goal is CO_2-neutral cars, vans, trucks, and buses. In line with this goal, we have formulated sustainable business strategies for all of our divisions. In the next five years alone, we will invest more than €70 billion to implement these strategies, especially in the areas of electrification and digitalization.

Electrification and sustainability

By means of our "Electric First" strategy at Mercedes-Benz Cars, we are systematically moving toward CO_2 neutrality. For example, in 2020 we more than tripled the sales of our plug-in hybrids and all-electric vehicles in the car and van segments. Subject to confirmation by the authorities, this means that we have reached the stringent European CO_2 targets. Just as importantly, we are confident that we can also reach the even stricter targets that have been set for 2021. In order to reach this goal, the all-electric Mercedes-EQ family will grow to a total of eight models – ranging from compact models to the S-Class segment – in

1 Figures from the Global Carbon Project: ↗ Coronavirus causes 'record fall' in fossil-fuel emissions in 2020

2021 and 2022. We are taking the next step by means of the EQA (Combined electrical consumption: 15.7 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2] and the EQS. Both of them are setting new benchmarks in their respective segments and demonstrating that contemporary luxury and sustainability are entirely compatible. Our long-term goal is defined by our "Ambition 2039": We are striving to offer a completely CO_2-neutral new vehicle fleet by 2039.

We plan to have a portfolio of series-produced trucks and buses with battery-electric drive systems in our main sales regions by 2022. And our ambition is to offer only new vehicles that are CO_2-neutral in driving mode in Europe, Japan, and North America by 2039.

We are already series-producing the battery-electric eCitaro city bus, and this year it will be followed in Europe by the battery-electric eActros heavy-duty truck for urban distribution haulage. We are pursuing two different approaches to achieve zero-emission long-distance transport: battery and fuel-cell drive systems. We presented a glimpse into the future of both of these systems in 2020. The eActros LongHaul truck has a battery-electric drive, and the GenH2 concept truck is powered by a fuel cell and liquid hydrogen – its series-produced variant will have a range of up to 1,000 kilometers and more.

Parallel to these products, our own manufacturing processes will also be CO_2-neutral starting in 2022: in our production plants for cars and vans all over the world, and in our production plants for commercial vehicles in Europe. The blueprint for this transformation will be our Factory 56, which is already using CO_2-neutral, resource-conserving, and connected production processes, as well as our battery factory in Kamenz.

Digitalization and sustainability

For many people, digitalization was the most visible transformation in 2020. The infrastructure and computing capacity that enabled hundreds of thousands of employees to have mobile workplaces were created practically overnight. Today it's already becoming apparent that even after the pandemic is over a more flexible work environment will remain. But the real changes will go far beyond that. Thanks to the 360-degree connectivity of our worldwide production network, we are setting new benchmarks for sustainable production. For example, at our Factory 56 alone we are saving about ten tons of paper annually compared to a factory that is not fully digitalized. And by means of services such as Mercedes me Charge and the EQ-optimized navigation system we are motivating our customers to switch to CO_2-neutral driving.

The supply chain and sustainability

Our lane change also involves our entire supply chain. That's why, from now on, we at Mercedes-Benz only want to work together with suppliers who commit themselves to systematically reducing their emissions. About half of the companies in our Mercedes-Benz supplier network have already confirmed that by 2039 they will only be providing us with CO_2-neutral components. In the period until then, they will reach interim targets. We are also making respect for human rights a fixed component of our contracts with suppliers. Companies that wish to be our business partners must commit themselves to ensuring transparency regarding potential risks to human rights and confronting such risks by means of appropriate measures. In the future, our suppliers will only obtain cobalt and lithium for Mercedes-Benz cars – and, step by step, for Daimler Trucks too – from certified

2 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.
3 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

extracting companies. Battery cells will only be obtained from suppliers using CO_2-neutral production. At the same time, we are working to minimize our use of critical raw materials. In this connection, our path toward a circular economy is becoming increasingly significant. Many Mercedes-Benz cars are already almost completely recyclable today. In the future we aim to further decrease energy needs, water consumption, and waste volumes throughout our supply chain, analogously to the changes we are making in our own production processes. In this way we will increasingly decouple growth from resource consumption.

The capital market and sustainability

Another development of recent years has been the capital market's noticeably growing interest in sustainability issues. There has rarely been this much demand for information about ESG issues[4] in the past. Investors are now using non-financial criteria to assess the financial opportunities and risks in their portfolios and in potential investment projects. We welcome this development. A convincing sustainability performance should also pay off financially – and vice versa. At the same time, we are preparing for a growing demand for green investments. In 2020 we developed a ↗ Green Finance Framework that defines the basic principles that we applied, for example, when we issued our first green bond worth more than €1 billion. This bond was in great demand, and it was oversubscribed several times.

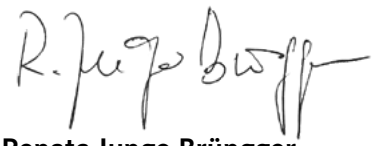
Optimism and sustainability

In the public debate regarding sustainability, what we sometimes miss is optimism – not only with regard to technological progress. Admittedly, the necessary transformation to self-determined and sustainable mobility is one of the biggest renewal projects of our time. But it's also one of the most important and most inspiring ones. It goes far beyond our company and even beyond the automobile industry. It requires new alliances between science, government, investors, automakers, suppliers, energy providers, and society. The players who systematically promote transformation can create not only environmental but also economic and social value added.

We at Daimler are firmly committed to do just that. We want to do everything in our power to promote this development and take on responsibility for it. You can find out what this means in concrete terms by reading the following pages. We wish you a stimulating reading experience, and we look forward to continuing our constructive dialog with you.

Sincerely,

Ola Källenius
Chairman of the Board of Management
Daimler AG and Mercedes-Benz AG



Renata Jungo Brüngger
Member of the Board of Management
Daimler AG and Mercedes-Benz AG
Integrity and Legal Affairs
Co-chair of the Group Sustainability Board

Markus Schäfer
Member of the Board of Management Daimler AG
Group Research & Mercedes-Benz Cars
Chief Operating Officer
Co-chair of the Group Sustainability Board

4 As a rule, sustainability operates on the capital market under the acronym ESG: E = Environment, S = Social, G = Governance.

SPURWECHSEL – We are changing lanes

Decarbonization and climate protection

Decarbonization and climate protection

"We are the first generation to feel the effect of climate change and the last generation who can do something about it." Although this statement by former US President Barack Obama was made back in 2014, it is more relevant than ever today. It is therefore all the more important that we now move to take action in the form of clear regulations, innovative technologies, and billions in investment.

Within the framework of its Green Deal policy, Europe has set itself the goal of becoming the first CO_2-neutral continent by 2050 at the latest. China plans to achieve the same goal ten years after that. In one of his first acts as President of the United States, Joe Biden signed an executive order returning his country to the Paris Agreement. These are all powerful and important signals. Nevertheless, it is also clear that the formulation of political objectives and the application of sanctions alone will not be enough; we also need to "win people over" to active climate protection. This is one of the reasons why Daimler supports multilateral initiatives that are designed to promote a widespread transformation in the economy and society (↗ Climate Pledge, ↗ TONZ). And we are first focusing on our own backyard. For example, we have set ourselves the clear goal of making our worldwide fleet of new cars and vans CO_2-neutral by 2039. We also plan to do the same with our heavy-duty commercial vehicles in Europe, North America, and Japan.

We seek to ensure sustainable and self-determined mobility through technological innovations. We are determined to move ahead with the necessary transformation of our business and our company. What we plan to do represents perhaps the most fundamental "Spurwechsel" – lane change – ever made since we invented the automobile. It relates to our entire value chain as well – from development and procurement to production, sales, and recycling. We now have new green financing instruments that offer investors who focus on sustainability the opportunity to make targeted investments in climate protection technology.

At the same time, we won't accomplish it alone – decarbonization requires and will continue to require a joint effort. Governments, companies, and society as a whole all need to pull together here. If this can be done, we are very optimistic that we will be able to have a positive influence on global temperature development.

Our holistic approach to climate protection enables us to make an effective contribution to achieving the Sustainable Development Goals:

> *Even if you believe in leaving everything up to the market, limiting global warming will cost much less than dealing with its consequences. If you decide to take on an active role, you will be at the controls. Companies like Daimler should take a clear stand: 'We can become CO_2-neutral.' Sending such a signal will also help governments in their mission to speed up the Race to Zero for everyone.*

Nigel Topping

Nigel Topping is the *High Level Champion for Climate Action* for the 26th United Nations Climate Change Conference, which will be held in 2021 in Glasgow, Scotland.

EQC: Combined electrical consumption: 21.5-20.1 kWh/100 km; CO_2 emissions combined: 0 g/km.

Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008.
Electricity consumption and range depend on the vehicle configuration.
The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

Three questions: Johan Rockström

Mr. Rockström, what effect is climate change due to greenhouse gases having on business activities at Daimler and other companies?

Johan Rockström: Extreme weather and wildfires are increasing around the world, as are the risks we face in terms of harvest yields and ecosystems. It has now been scientifically demonstrated that extreme events that impact our global economy are exacerbated by greenhouse gas emissions. A destabilized climate puts an additional burden on systems that are already under serious pressure – for example our healthcare system and the international food production and distribution system, not to mention regions with unresolved conflicts. Obviously, this has a direct and indirect impact on Daimler's supply chains – and on the company's customers and employees as well. If you look at it another way, you can see that the climate crisis also calls into question Daimler's business model, which until now has been based on the use of combustion engines and fossil fuels. Here as well, the scientific evidence is clear: The world needs to become independent of fossil fuels over the next 30 years if global warming is to be kept significantly below 2 degree Celsius, as is stipulated in the Paris Agreement. The good news is that Daimler is an innovative company that can change its technology – but this will need to be done quickly.

You have said that society's view of sustainability has changed dramatically over the last few years. What is the basis for this assessment?

Johan Rockström: It's based on what we can all perceive in society at the moment, and also on the experience we as scientists have had in terms of our interaction with business representatives and political decision-makers. For companies in particular, regardless of sector, the concept of sustainability has been transformed from a moral obligation of corporate responsibility into a question of competitiveness and innovation. The latest estimates made by the World Economic Forum (WEF) indicate that the focus on a green-based economic recovery after the covid-19 pandemic will create additional jobs and enable more favorable economic development.

Another example of how society now views sustainability differently is the joint declaration issued by a group of scientists and Europe's seven leading commercial vehicle manufacturers – including Daimler, of course. This declaration states that all new trucks sold will need to be fossil fuel-free by 2040. This is a courageous decision that brings the companies and the scientific community together, and it also demonstrates what can be achieved when people take on responsibility. In addition, companies view this as a way to improve their technological competitiveness. In any case, along with safety and social justice, a successful environmental agenda also needs to include aspects such as innovation and prosperity.

Are you saying that you don't believe decarbonizing the planet necessarily requires sacrifice?

Johan Rockström: Societies want to develop in a manner that ensures a more just, prosperous, and healthy future. This is particularly important for developing countries, and green technologies are a must in any case if efforts in this

regard are to be successful. At the same time, part of this growth must be qualitative rather than quantitative. It's clear that we cannot continue to waste valuable resources.

I believe Daimler has understood this. Daimler can reduce the strain on our planet by employing recycling processes. It can also prevent CO_2 emissions along its entire value chain and further develop its products. People don't necessarily want to drive a vehicle with an eight-cylinder engine – they want mobility and freedom, and there are many different ways to achieve that. All of this presents a challenge for the entire car and truck sector. The previous business model of simply seeking to continuously increase vehicle sales is not sustainable. Ultimately, it is quality and new forms of mobility that will enable us to achieve the goal of being able to live a good life – and the only way to get there is to transform to sustainability.

Johan Rockström

Johan Rockström is the Director of the Potsdam Institute for Climate Impact Research and Professor of Earth System Science at the University of Potsdam. Rockström, who is from Sweden, is one of the world's most frequently cited researchers. He has been a member of Daimler's Advisory Board for Integrity and Corporate Responsibility since May 2020.

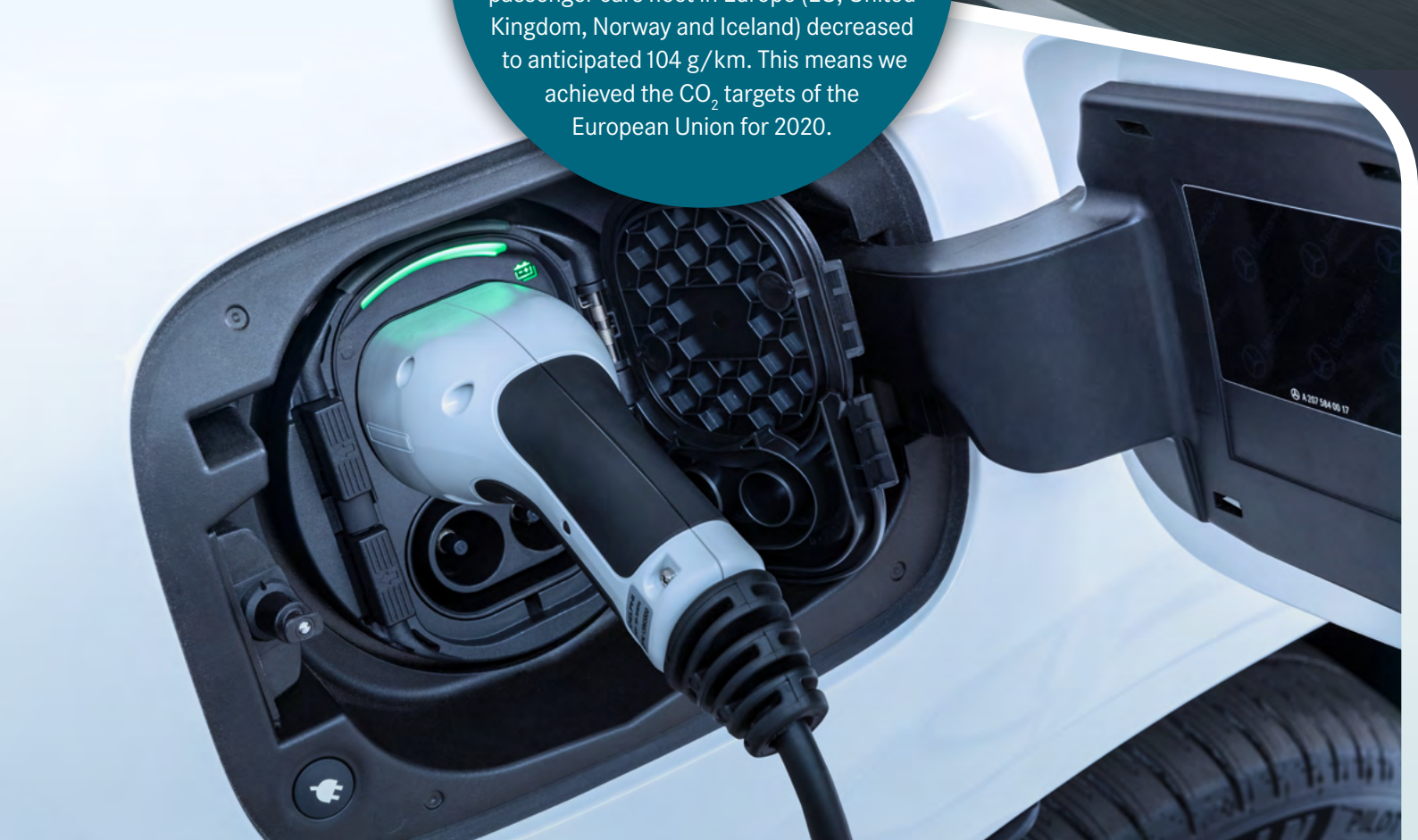
A photovoltaic system installed on the roof of Factory 56 generates green electricity for the manufacturing hall below. The system covers approximately 30 percent of the annual electricity requirement for Factory 56.

EQA: Combined electrical consumption: 15.7 kWh/100 km; combined CO_2 emissions: 0 g/km.

Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008.
Electricity consumption and range depend on the vehicle configuration. The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

104
g/km (NEDC)

The average CO_2 emissions of the new passenger cars fleet in Europe (EU, United Kingdom, Norway and Iceland) decreased to anticipated 104 g/km. This means we achieved the CO_2 targets of the European Union for 2020.



The future of CO_2-neutral transport: The Mercedes-Benz GenH2 Truck

A locally CO_2-neutral long-haul truck that measures up in every way to its diesel counterparts and also delivers superior tractive power, range, and performance?

Daimler Trucks presented the concept for such a vehicle in 2020: The Mercedes-Benz GenH2 Truck is due to be launched on the market as a series-production vehicle in the second half of the decade. The truck is going to make a big impression with a range of up to 1,000 kilometers and more and a payload of 25 tons. Our engineers took the demanding and varied requirements of commercial vehicle customers into account when they developed this truck, whose special feature is the use of hydrogen. More specifically, the vehicle's fuel cell uses hydrogen as one of the elements in an electrochemical reaction that generates electricity and powers the truck, which is therefore equipped with two liquid-hydrogen tanks. A battery comes into effect whenever additional energy is needed in driving operation.

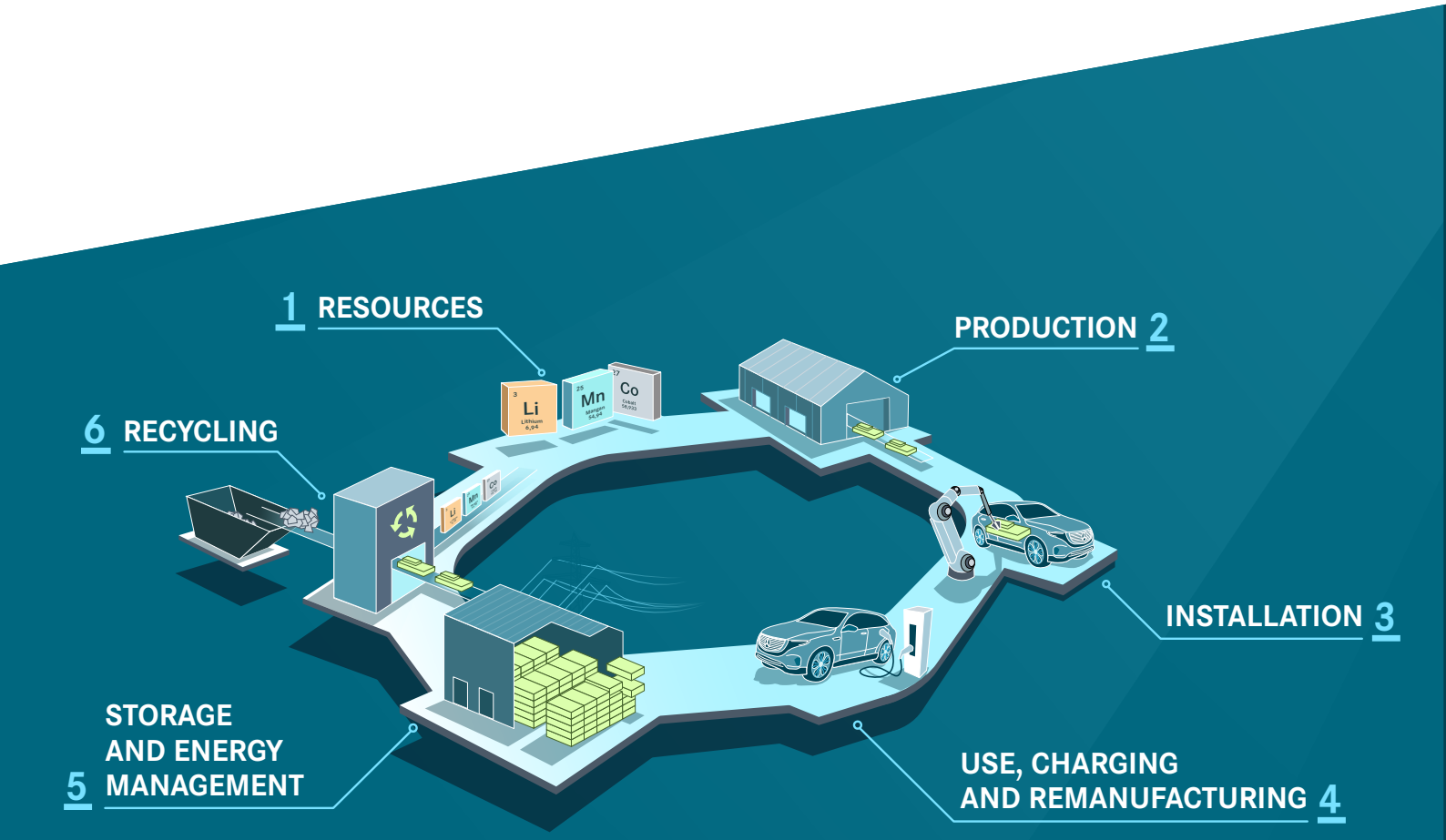
The GenH2 received the 2021 Truck Innovation Award in recognition of its clear technological concept.

The life of a power pack

We constantly carry them around with us in our smartphones – and over the next ten years lithium-ion batteries will increasingly be used in vehicles as well. This is because electric mobility is now gathering pace.

The idea is obvious: Reduce CO_2 emissions produced by cars and trucks, and improve air quality in cities. But is that all? More than anything else, the extent to which an electric vehicle actually improves sustainability is determined by its centerpiece – the battery. It's therefore all the more important to ensure right from the start that batteries remain efficient and conserve resources throughout their life cycle – from battery research to battery recycling. Every step taken, no matter how small, has an impact on a battery's life cycle assessment.

The best grades will be awarded for successfully transforming the chain of reusable materials into a closed cycle. Batteries offer great potential because of the diverse and sometimes rare raw materials that are used in everything from battery cells to battery housings. The ultimate goal is to decouple our resource consumption from our growth in production output.

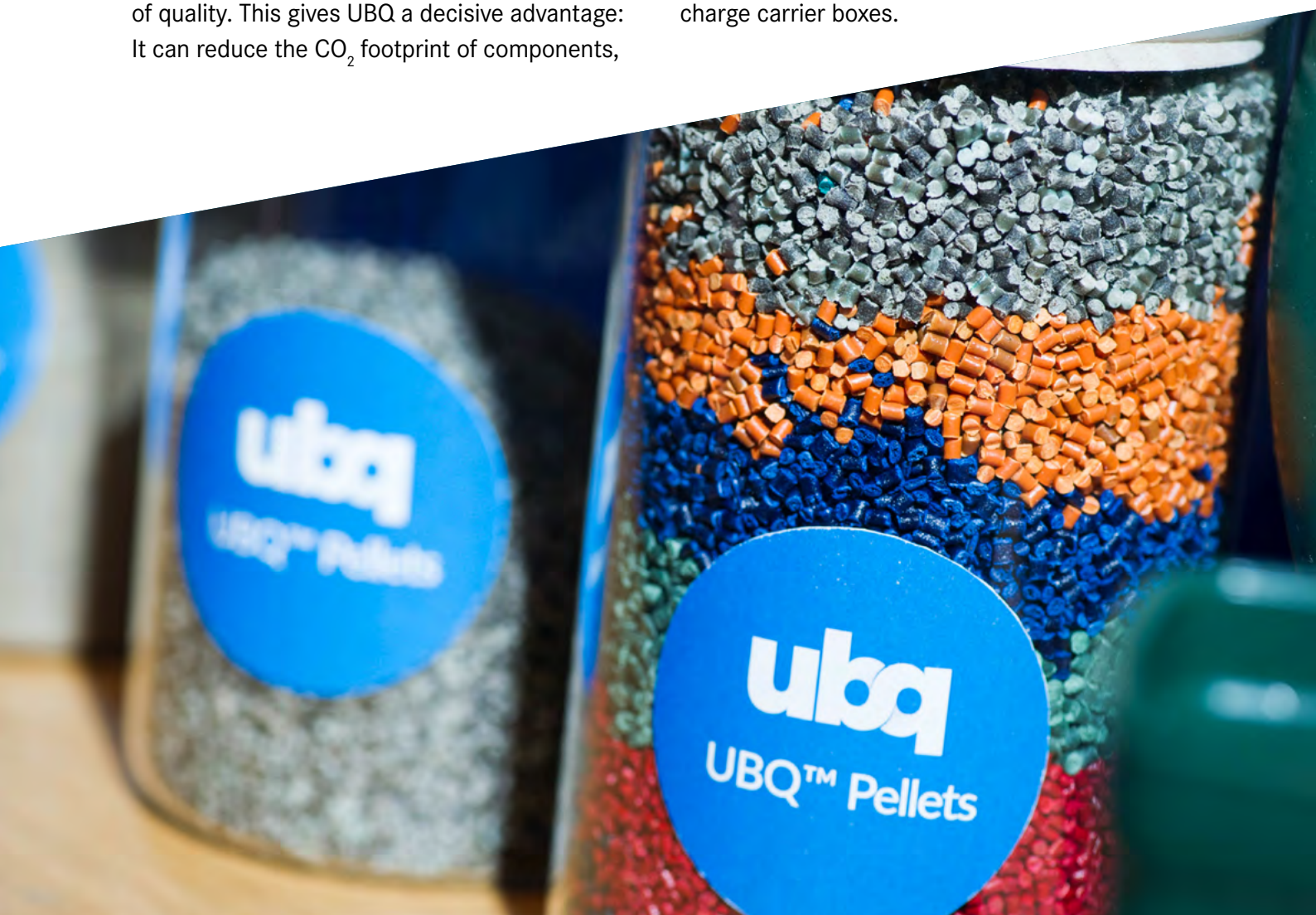


How mountains of waste will permanently change vehicle production

For six years, the team at the startup company UBQ Materials worked on a new raw material, with the aim of producing a homogeneous renewable material from food and garden waste, diapers, paper, and packaging.

Their work resulted in the creation of the bio-based plastic UBQ, which could replace conventional plastics in a wide range of areas in the future – at Daimler as well. This is because this climate-friendly composite can be recycled more often than other plastics without any loss of quality. This gives UBQ a decisive advantage: It can reduce the CO_2 footprint of components, and as a renewable source of raw materials it paves the way for the establishment of a circular economy.

Daimler began working with the Israeli startup at the beginning of 2020 with the hope of possibly using the bioplastic material soon in series production operations for a lightweight load compartment cavity. After further tests are completed, this CO_2-neutral recyclate could also be used for prototype construction and for the production of bus bumpers, cable ducts, and charge carrier boxes.



SPURWECHSEL – We are changing lanes

Digitalization

Digitalization

Virtual trade fair presentations, online world premieres, contactless vehicle handovers – the "year of the coronavirus" accelerated the process of digitalization even further. As an automaker, we have been investing in the digital transformation for many years now. It is not just cars that are set to become "smartphones on wheels" – the entire value chain is becoming networked in real time.

Industry 4.0 and human-machine cooperation at industrial facilities are here to stay. For several years now, they have been helping us to optimize processes in factories and manufacture vehicles with different engines and equipment features on the same assembly line. Our Factory 56, which opened in September 2020, shows what fully networked automobile production looks like: A state-of-the-art infrastructure featuring powerful Wi-Fi and a high-performance 5G mobile network not only facilitates tracking and tracing but also saves a huge amount of paper, while digital positioning and display systems provide the employees with relevant vehicle data from the factory hall.

Daimler also has a clear vision of what should come off the line at this ultramodern factory: technology leadership in terms of both hardware and software. The important thing here is to ensure data sovereignty in the vehicle using our own operating system – developed in "Swabian Valley." The path to MB.OS market maturity will be as evolutionary as the iPhone update process. The MBUX Hyperscreen offers a first preview of the digital Mercedes-Benz vehicle of the future: MBUX Hyperscreen is an infotainment and operating system that is capable of learning and supports users in line with their personal preferences and routines – and even reminds them of important birthdays.

The skills, creativity, and motivation of our employees play a key role in our ability to implement our plans successfully. Daimler establishes the conditions needed to ensure top performance, and in many cases our employees themselves organize their advanced training courses, working hours, and specific job assignments within this framework. Today more than ever, digitalization is making all this possible, and we encourage our employees to make the most of these opportunities. To support them, Daimler uses not only appeals but also reliable instruments such as the company agreement on mobile working.

Our holistic approach to digitalization enables us to make an effective contribution to achieving the Sustainable Development Goals:

“The pandemic is a putting a great strain on companies and their employees. The crisis has shown that a lot more can be achieved than we previously thought possible. Getting hundreds of thousands of people to work from home in Germany seemed unimaginable at first – but it worked! I firmly believe that 70 to 80 percent of all interactions that are not directly customer-related can be just as easily managed via digital channels. Due to the impact of the covid-19 pandemic and the current challenges associated with decarbonization and digitalization, we are now on the verge of what will likely be the biggest transformation of working culture and training systems in our history.

Claudia Nemat

Member of the Deutsche Telekom AG Board of Management, Technology and Innovation

The training center at the Mercedes-Benz plant in Untertürkheim was one of more than 50 Daimler locations that took part in a live webcast to mark the start of the 2020 training year.

Three questions: Monika Tielsch

Ms. Tielsch, Daimler has been supporting mobile work arrangements for more than 20 years now. How have mobile work possibilities changed during that time?

Monika Tielsch: A large share of our employees were already making regular use of mobile work arrangements wherever their tasks permitted long before the covid-19 pandemic. In the current situation we're benefiting greatly from our many years of experience with virtual cooperation. A company agreement on mobile work has been in effect since 2009. It was truly a trailblazing agreement at that time in Germany. The General Works Council and corporate management brought in the Fraunhofer Institute and the IG Metall union to work on the agreement as consultants. We also asked our employees and managers to tell us how they would like mobile work to be structured. We're proud of what we achieved here because the company agreement made everyday work easier for many of our employees. In 2016 we reviewed and improved the company agreement, which now focuses more strongly on trust and autonomy.

Most offices are empty at the moment, as two thirds of Daimler's administrative employees are working from home. How is this affecting the normal working day?

Monika Tielsch: It clearly helps employees to harmonize their professional and private lives. In the first place, people often think of employees who have young children or family members they need to care for and who therefore benefit from working at home. But other groups of employees also benefit – for example, those who participate in sports or do voluntary work also appreciate the extra time. For instance, I know some colleagues who like to go jogging in the woods for an hour on their lunch break. Others do yoga, take care of family matters, or simply do things they enjoy. In other words, if we all understand and use mobile working, we can greatly improve our quality of life. Our employees avoid distractions during their working hours and concentrate fully on the tasks at hand. The company and the employees benefit equally.

Do you think that offices might no longer be needed in the future?

Monika Tielsch: I don't believe that will be the case, because a lot of people miss the personal contact at work. Very few people would want to work exclusively from home or remotely in a café. But I'm certain that many colleagues will want to work remotely or from home more frequently in the future than was the case before the pandemic – and surveys conducted by IG Metall confirm this. Our experiences over the last few months have led us to focus intensively on this issue once again in discussions between the Works Council and corporate management. Our goal is to align mobile work even more precisely with each employee's private and professional situation in the future. It's still too early to make predictions, but I can tell you this much: We will revise the current company agreement in line with the new conditions we face.

Monika Tielsch

Monika Tielsch is a member of the Daimler Works Council at the Sindelfingen location, where she serves on the HR Committee.

45,000

is the number of employees to whom we provided electric mobility training in 2020. This number will increase to 200,000 by 2025.

Data needs to flow and remain protected

The digitalization trend will likely be the most important success factor for companies in 2021 – and that includes us at Daimler. A reliable flow of data is the precondition for achieving greater connectivity with our customers and supporting and incorporating them into our processes – but always under the premise that customer data must be protected and handled responsibly.

Mercedes-Benz Development is building just this kind of digital infrastructure. Among other things, we utilize big data in order to understand our customers and get to know them better. Innovative, intuitive, and intelligent technologies are then used to personalize our products and services for our customers to the greatest extent possible – with everything from active massage programs to suggestions for to-do lists. The use of artificial intelligence systems allows us to react to our customers' requirements in real time (and without recommending the same steak restaurant to a vegetarian every time, for example). Such personalized services are of course only offered if customers want them and expressly agree to the transfer of the data needed to provide them. The new MBUX Hyperscreen from Mercedes-Benz not only knows the snow conditions at the customer's favorite ski resort; it can also show drivers a film from their favorite movie genre – only when the wheels and the engine are at a standstill, of course.

We are also transferring our protection and comfort requirements to the data highway, as the data inside a Mercedes must be just as secure and protected as the vehicle's occupants. This means that we explain to our customers why we need their data and how we process it. This aspect is important because it reinforces our customers' basic trust in our brand. Customers themselves decide which data they would like to pass on.

We want to make our products even safer, more secure, and more intelligent – and I firmly believe that together we can achieve the extraordinary.

Mahtab Majd

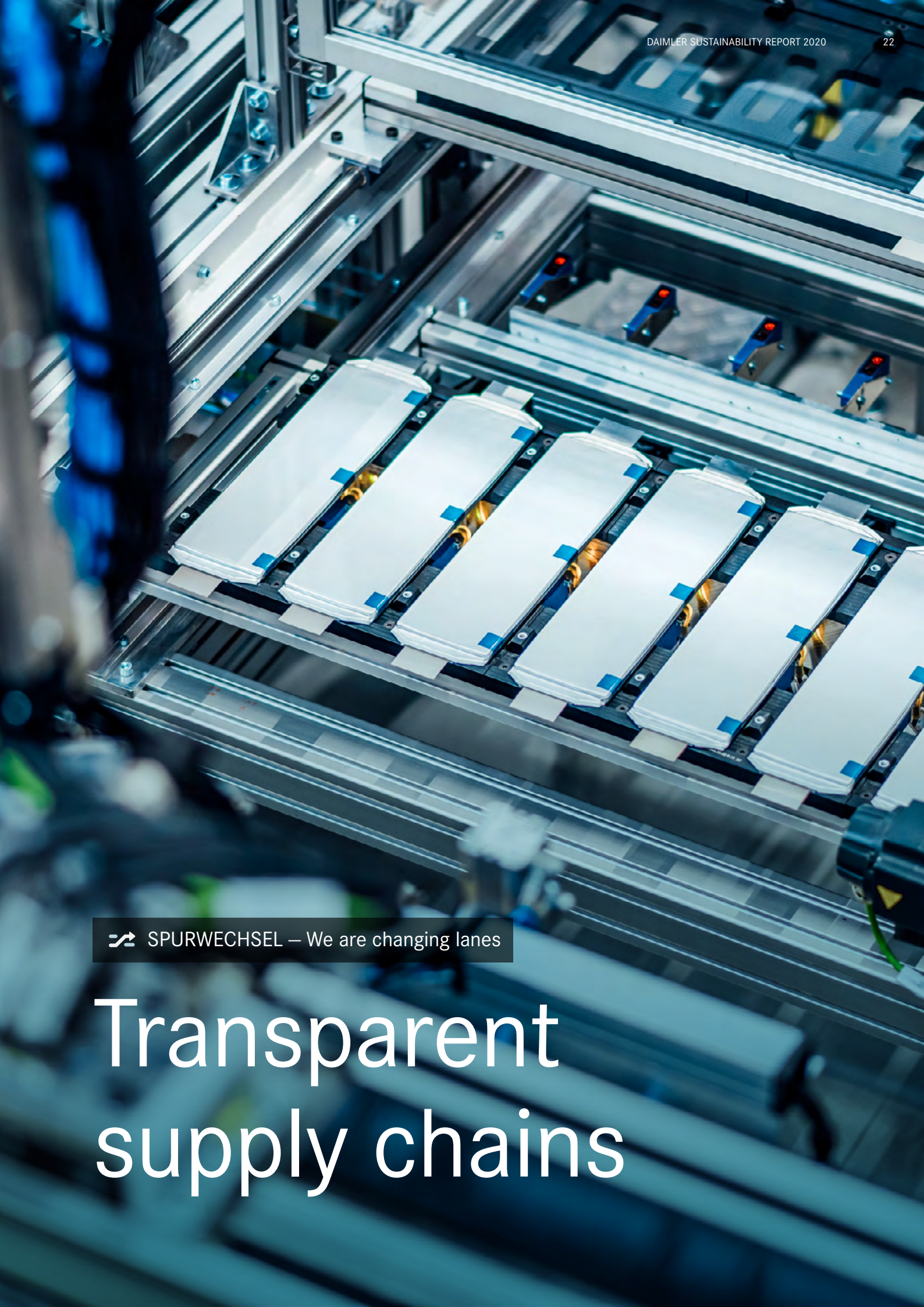
Mahtab Majd is a member of the cross-divisional Data Governance working group and is responsible for Data, AI & Connected Car at Mercedes-Benz Research & Development.

Factory 56 has realized the digital, sustainable production system of the future

The new Factory 56 facility located at the Mercedes-Benz plant in Sindelfingen utilizes a digital, flexible, efficient, and sustainable automotive production system that points the way toward the future. This facility, which began operating in September 2020, boasts completely CO_2-neutral production in line with the goals of our Ambition 2039.

The factory also sets new standards for digitalization: All digitalization activities revolve around the MO360 digital ecosystem that is being used in full for the first time in Factory 56. MO360 consists of various software applications that use real-time data to support worldwide vehicle production at Mercedes-Benz Cars. Factory 56 features a new digital infrastructure with powerful Wi-Fi and a high-performance 5G mobile phone network that is paving the way for complete digitalization. Factory 56 doesn't use any paper and thus has annual paper savings of approximately ten tons.

First to roll off the line in Factory 56 was the new generation of the Mercedes-Benz S-Class sedan and its long version. In February 2021 the facility also began producing the Mercedes-Maybach S-Class, and in the future it will build the EQS on the same line in a completely flexible production system. The entire hall is designed for flexibility, so at some point it will be possible to integrate all Mercedes-Benz model series, from compact vehicles to SUVs, into regular production in response to demand, very quickly and without interrupting manufacturing operations.



SPURWECHSEL – We are changing lanes

Transparent supply chains

Transparent supply chains

Cobalt from the Democratic Republic of the Congo, rubber from Southeast Asia, plastics from China – a car consists of several thousand components and raw materials from all over the world. This is why we need to closely examine our complex supply chains. Some of the challenges exist in exactly those places where vehicle manufacturers have limited monitoring possibilities. So the first step to more sustainability is transparency.

Daimler has approximately 60,000 direct suppliers, many of which have sub-suppliers, which in turn may have their own sub-suppliers and so on. The result is a highly complex global network that develops dynamically. We establish ↗ transparency with the help of ↗ blockchain technologies, for example, in order to ensure that we can identify risks and address them when we need to. Blockchain technologies link digital data sets by means of encryption. Here, all participants in the supply chain can retrace the integration, transfer, and confirmation of information at any time, even as confidential information remains protected.

We require the raw material suppliers we cooperate with to meet high environmental and social standards – in the area of cobalt mining, for example, all the way back to the mine. An important step for Mercedes-Benz suppliers in this regard involves signing the ↗ Ambition Letter in which they pledge to supply CO_2-neutral products in the future. Battery cell production is energy-intensive and therefore has an effect on the CO_2 balance of electric mobility.

But it takes more than just the minimization of environmental risks to achieve sustainability in the supply chain, which also needs to be free of potential human rights violations. Our approach here is “using leverage before withdrawing”. This means that instead of simply withdrawing from places with human rights issues, we can often do more to help people in these places by staying and establishing working conditions that ensure respect for human rights. In the future, for example, we plan to only use battery cells that are made of raw materials from ↗ certified mines. We are also involved in numerous raw materials initiatives that promote greater transparency and the application of more stringent ↗ climate, environmental, and human rights standards.

A large number of new regulations and laws are now being planned and implemented as well. The Due Diligence Act is expected to be passed soon in Germany, for example. Other countries are working on sharpening their regulations, and new EU-wide due diligence legislation is also planned. We support such progress, but we also believe that regulations must be aligned with one another in order to avoid a patchwork situation on the international level. In addition, the people affected must benefit from the measures, and it must be possible for companies to implement them without suffering a competitive disadvantage.

Our holistic approach to supply chains enables us to make an effective contribution to achieving the Sustainable Development Goals:

Every company needs to examine its value chain in order to determine the impact it has on human rights. Obviously, no automaker can solve all of the problems alone. Nevertheless, automakers have a responsibility to help shape change – especially in the pandemic, which has been particularly hard on groups that are already vulnerable.

Laura Curtze
Head of the Human Rights & Labour section at the German Global Compact Network (DGCN)

Since 2019, Daimler has been supporting the charitable organization Bon Pasteur, which is seeking to improve the lives of more than 19,000 people in the Kolwezi mining region of the Democratic Republic of the Congo by 2022. Daimler has made more than one million euros available to support this cause.

Three questions: Gunnar Güthenke

What do you do if you identify human rights risks in the raw materials supply chain for your electric vehicles?

Gunnar Güthenke: Human rights are non-negotiable – and it's important to us that our raw materials are obtained from responsible mining operations. That's why we create transparency as a first step, conduct audits in line with OECD guidelines, and also use the mining standards of the Initiative for Responsible Mining Assurance (IRMA), which are recognized throughout the industry, as a key criterion for our supplier decisions and contracts in raw materials supply chains. We aim to use leverage rather than withdraw. In other words, we do not exclude critical countries of origin as sources of raw materials but instead want to improve the situation for local residents and strengthen their rights. In addition, our supplier agreements have included respect for human rights as an integral component for many years now.

How do you plan to reduce the CO_2 footprint in your supply chain?

Gunnar Güthenke: We include our suppliers in our "Ambition 2039" measures to achieve climate neutrality. Specifically, this means that beginning in 2039 at the latest, Mercedes-Benz will only work with suppliers that provide us with CO_2-neutral components exclusively. More than 75 percent[1] of our suppliers have already agreed to do this. Until we have achieved this long-term goal, we will consistently raise the bar year after year and focus particularly on addressing CO_2-intensive areas. Because we at Mercedes-Benz take sustainability in the supply chain very seriously, our approach to it doesn't end with reducing greenhouse gases. We also plan to systematically reduce the use of primary raw materials in procured components in order to conserve valuable resources. Here as well, we are focusing on specific components and continuously increasing the required proportion of recycled materials.

What drives your team?

Gunnar Güthenke: The work we do has a significant impact on profitability and the standard of quality at Mercedes-Benz. In addition, sustainability is now a firm component of our procurement strategy. It's very important to us to cooperate closely with the specialist units we work with around the world – and especially with our suppliers. With our measures for reducing CO_2 emissions, ensuring that human rights are respected and upheld around the world, and conserving resources in the supply chain we are making an important contribution not only to the sustainability of our vehicles but also to the entire automotive industry and society as a whole. That's because our suppliers can use the measures we implement in cooperation with them to govern their relationships with the other customers they serve.

Dr. Gunnar Güthenke

Dr. Gunnar Güthenke has been the Head of Procurement and Supplier Quality, Mercedes-Benz Cars since July 2019. This unit, which is responsible for managing approximately 2,000 direct suppliers worldwide, is based at the central Stuttgart location and operates regional hubs in China and the United States and other procurement offices in Mexico and India.

1 On the basis of the annual procurement volume

24

Daimler has identified 24 risk raw materials that are now being closely examined to determine their impact on human rights.

Promoting education, ensuring respect for human rights – Daimler stands up for children

Daimler and the NGO Terre des Hommes Netherlands launched a joint project in 2020 to help put a stop to child labor. Daimler is providing financial support to the child welfare organization in order to help eliminate child labor in mica mines in Jharkhand, India. These minerals, which Daimler does not purchase directly, are what give vehicle paints their shine and sparkle.

Daimler and Terre des Hommes Netherlands are making it possible for children in Jharkhand to go to school, which increases their chances of being able to earn a living later on in life – and thus ensure that their own children will not have to work in mines. The families of the children participating in the project also receive financial support to compensate for the lost income. In addition, local partners of Terre des Hommes Netherlands work to strengthen local structures by providing information on children's rights, for example.

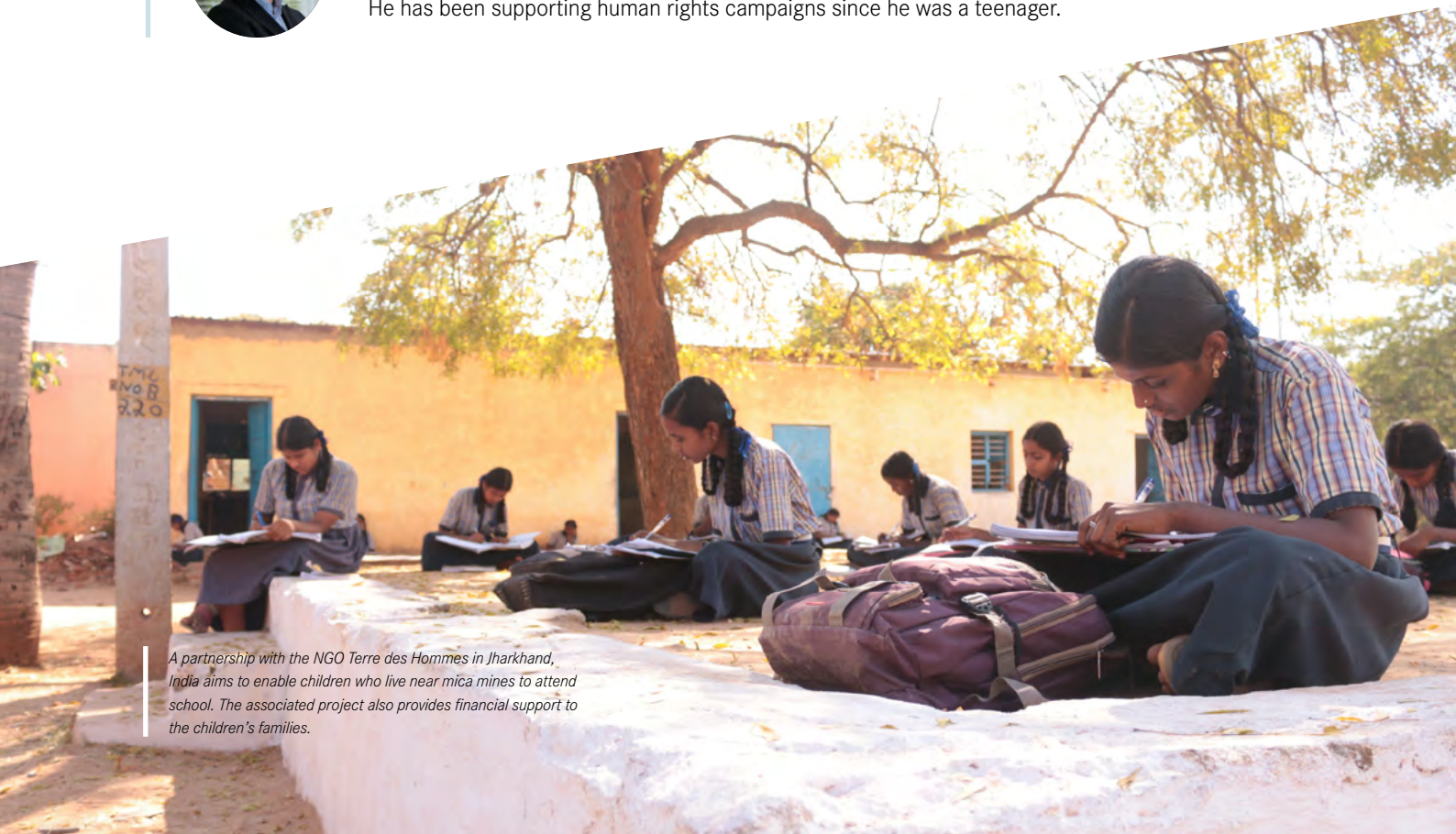
Daimler also works with the Responsible Mica Initiative to develop standards to improve working conditions in India and strengthen the legal framework for mica mining. The initiative seeks to prohibit child labor in the mica supply chain by 2022, and to this end it also works closely with Terre des Hommes Netherlands.

What we do here needs to help people locally

For me, sustainability means keeping an eye on the consequences of our actions – not only for the environment but also for society. Respect for human rights is a particularly important issue to me. That's because the key challenges here exist mostly in those places where we have very little influence and control, and this applies both to Daimler as a global company and to me as a consumer. Complex value chains develop very dynamically, which means it's not always easy to identify and address human rights risks. So it's all the more important for us as an automaker to take active measures to help improve things – and this is exactly what we are doing at Daimler. We are committed to ensuring that certain regulations and standards relating to human rights are complied with not only at our locations but also to the greatest extent possible in our supply chains, and we are developing the processes and measures that are needed. Specifically, this means that we use our Human Rights Respect System to implement the principles defined by the United Nations and other organizations. This approach, which we developed ourselves, makes it possible for us to systematically address human rights violations in our supply chain and at an early stage. Ultimately, what we do here needs to help people locally.

Marc-André Bürgel

Marc-André Bürgel is the Head of Social Compliance at Daimler AG.
He has been supporting human rights campaigns since he was a teenager.



A partnership with the NGO Terre des Hommes in Jharkhand, India aims to enable children who live near mica mines to attend school. The associated project also provides financial support to the children's families.

REPORTING

Sustainable corporate governance

Sustainable corporate governance

We aim to create value that is sustainable and to do so in a manner that is economical, environmentally friendly, and socially acceptable. This is why we have sustainable business strategies instead of a “sustainability strategy.” They embed sustainability in the midst of our business operations. At the same time, this not only complies with the legislators’ requirements, but also fulfills the expectations of the financial market and those of governments and society at large.

This requires a sustained transformation, which we call “SpurWechsel” (the German word for “lane change”). We can, and we intend to once again channel the history of mobility in a positive direction. It is time to shape the “good new days” of sustainable and self-determined mobility – through innovations rather than restrictions.

SPURWECHSEL – We are changing lanes

One of our most important transformation targets is CO_2 neutrality – and we have firmly embedded it in our sustainable business strategies. At Mercedes-Benz AG it is expressed in our “Ambition 2039” and our “Electric First” strategy. At Daimler Trucks we have formulated a roadmap for CO_2-neutral transportation. In both of these cases, the sustainability-driven transformation of our business operations is so fundamental that it can be called a genuine lane change. Thus we are creating a new Group for this new age – one that is sustainably fascinating, sustainably climate-neutral, and sustainably profitable.

Our six areas of action for sustainability

Sustainability issues are an integral part of our business strategies. We know that we can only remain successful over the long term if we conduct our business operations responsibly. By doing so, we generate added value for all of our stakeholders – for our customers, employees, investors, business partners, and society as a whole.

We have set ambitious goals for ourselves and defined six strategic areas of action for reaching these goals.

1 | Our six areas of action

Achieving success in these areas of action requires a culture of integrity and future-oriented cooperation with our workforce and our partners in industry, government, and society at large.

Our success thus depends on the following foundations:

2 | Our three enablers

Project Focus

Daimler is planning a fundamental change of its corporate structure. The objective is to take advantage of the full potential of the different divisions even more effectively with two strong and independent companies.

Mercedes-Benz Cars & Vans and Daimler Trucks & Buses work in different sectors with specific customer groups, technological roadmaps, and capital requirements. Mercedes-Benz, as the most valuable luxury car brand, offers the world's most desirable automobiles to demanding customers, while Daimler Truck delivers sector-leading transport solutions and services to its customers. Both companies are active in industries that are undergoing comprehensive technological and structural transformation. This transformation is further deepening the existing differences between the divisions. Speed, agility, and total concentration on innovation are also more important than ever with regard to aspects of sustainability. The Board of Management and the Supervisory Board of Daimler are therefore convinced that both divisions can more effectively implement their "Spur-Wechsel" – their lane change – when they act as independent units.

In view of this context, in February 2021 the Board of Management and the Supervisory Board suggested that the industrial business of Daimler be divided between two independent companies with clear profiles, and that Daimler Truck be floated on the stock exchange by the end of 2021. This plan will be presented to the shareholders at an extraordinary Shareholders' Meeting at which it will be voted on. Current plans call for the transaction to be completed by the end of 2021.

Where the content requires, we also represent our aims, strategies, measures and accomplishments to date for the reporting year 2020 by division.

Daimler at a glance

GRI 102-1/-2/-4/-7

3 | Daimler Group

	2019	2020
Employees (December 31)	298,655	**288,481**
Production locations		
Europe	33	**37**
NAFTA	21	**18**
Latin America (excluding Mexico)	7	**5**
Africa	2	**1**
Asia	8	**11**
Unit sales	3,344,951	**2,840,402**
Financial key figures (in EUR millions)		
Revenue	172,745	**154,309**
Research and development expenditure	9,662	**8,614**
Income taxes	1,121	**2,330**
Personnel expenses	22,657	**21,848**
Total dividend	963	**1,444**

Daimler AG is one of the world's most successful automotive companies. With its business divisions Mercedes-Benz Cars & Vans and Daimler Trucks & Buses, Daimler is one of the biggest manufacturers of premium cars and one of the world's largest producers of commercial vehicles. The business division Daimler Mobility offers financing, leasing, and fleet management services, investment products, and brokerage of insurance and credit cards, as well as innovative mobility services.

How we define sustainability

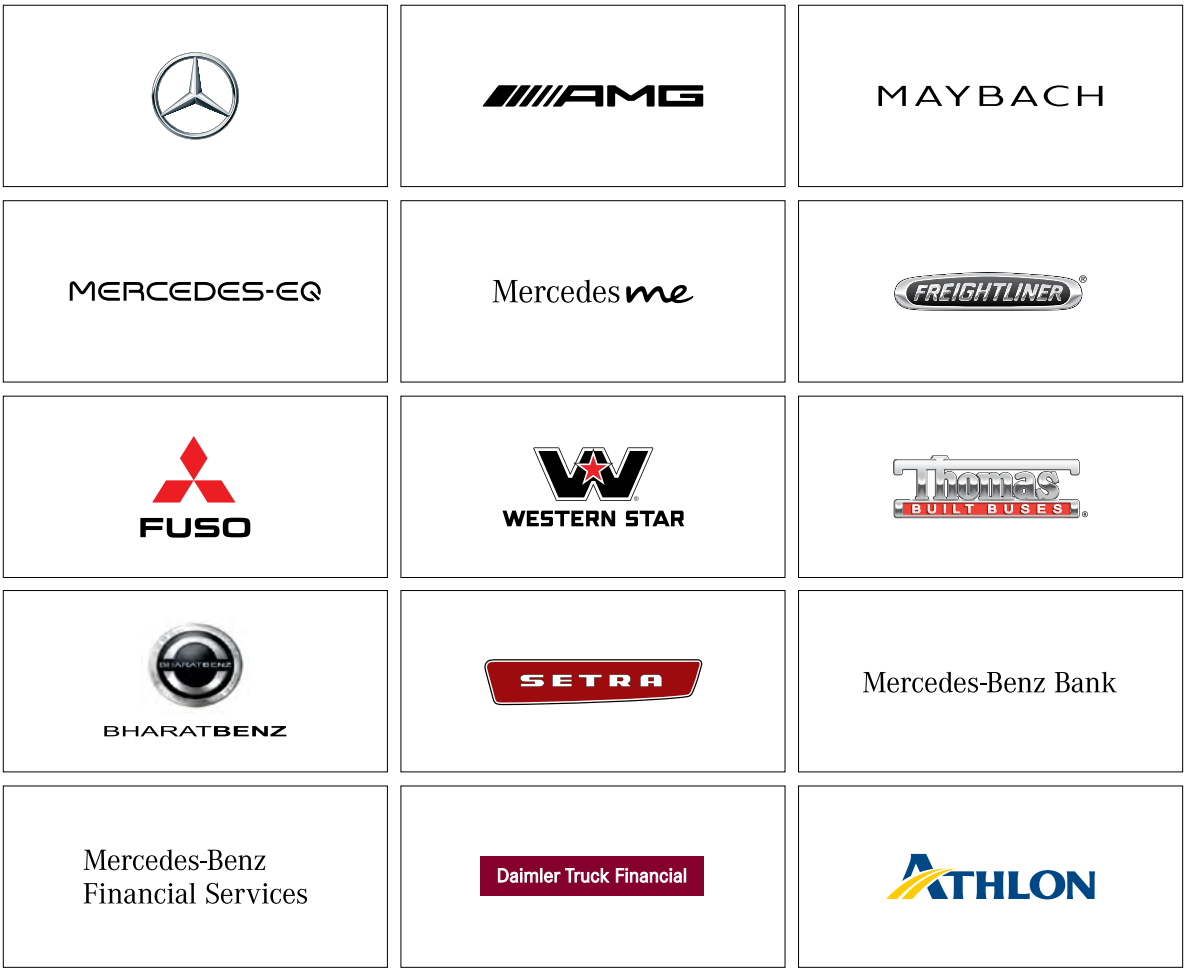
At Daimler, sustainability means stably generating economic, environmental, and social value added for all of our stakeholders: customers, employees, investors, business partners, and society as a whole. We therefore design the solutions we offer today to be central components of mobility systems that will be climate-neutral and sustainable tomorrow. Together with players from industry, government, and society, we thus create value added for all of society while also laying the foundation for our future business success. This holistic strategic approach applies not only to our own products and manufacturing locations but also to our entire upstream and downstream value chain.

Sustainable at every level — our business strategies

GRI 102-15/-47

The basis of our action is the sustainable business strategies of our divisions, which were adopted by our Board of Management in 2019. This means that rather than being supplements to our business strategies, sustainability issues are integral components of them. The ambitions, goals, and measures we are implementing in order to increase Daimler's positive value-added contribution to the environment and society are just as relevant as our promising business objectives.

4 | Our brands



We also orient ourselves according to international frameworks, the needs of our external and internal stakeholders, and global trends. From these points of reference we have derived Group-wide themes and defined areas of responsibility as well as business-specific targets, processes, and measures.

More specifically, our strategic ambitions involve the following six areas of action:

- **Climate protection & air quality:** We aim for our new vehicle fleet to be CO_2-neutral by 2039, when it will no longer have any relevant impact on air quality in inner cities.
- **Resource conservation:** 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.
- **Digital responsibility:** Sustainable, data-based business models are our future. In line with these business models, we focus on the needs of our customers and the responsible handling of data.
- **Human rights:** We assume responsibility for respecting and upholding human rights along our automotive value chain.

We work closely together with our partners in industry, government, and society at large in order to make these ambitions a reality.

We also rely on the dedication and commitment of our employees, who are helping to shape the transformation. Accordingly, we have defined three "enablers" that are essential for our success in these six areas of action:

- **Integrity:** In order to firmly establish integrity at all levels and in all areas, we are engaging in regular dialog. We are also supporting our employees as they make business decisions in order to promote their sense of individual responsibility.
- **People:** As an attractive employer, we promote the diversity of our workforce and help our employees acquire the skills they need in order to master the challenges of digitalization.
- **Partnerships:** Our principles regarding political dialog and the communication of our interests form the basis of responsible and reliable action that aims at harmonizing our corporate interests with the interests of society at large.

Materiality analysis: How we assessed our strategic issues

GRI 102-46/-47

We conducted a comprehensive materiality analysis in 2020 in order to determine which sustainability issues are particularly relevant for Daimler and its stakeholders. The analysis addressed the existing strategic areas of action and fundamentals as well as further potentially significant sustainability issues and trends. We assessed a total of 15 issues.

The materiality analysis consisted of four components: a document analysis, an SDG impact assessment, a large-scale online stakeholder survey, and interviews with experts.

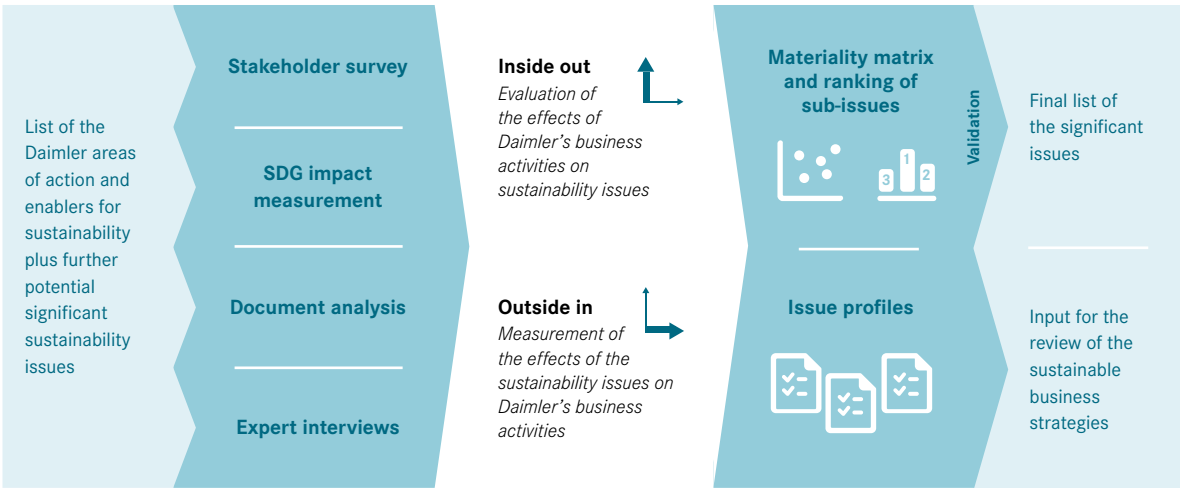
In the document analysis, we identified the key effects that important sustainability trends are having on Daimler. Our focus here was on external influences such as the regulatory system and the requirements of the capital market. As part of the SDG impact assessment, we evaluated how Daimler's business activities are helping to achieve the sustainability goals of the United Nations (Sustainable Development Goals – SDGs). In the online survey, various groups of stakeholders had the opportunity to evaluate the relevance of sustainability issues as well as our current sustainability management activities from their particular perspectives. A total of 3,630 individuals from 43 countries participated in the survey. 43 percent of the survey participants came from Germany, 21 percent from China, 16 percent from the United States, and 15 percent from the UK. In addition, we asked 40 internal and external experts to assess key sustainability-related risks and opportunities for our business model. We also asked them to evaluate the crucial effects of our business activities on society and the environment.

In our analysis, we used two different perspectives:

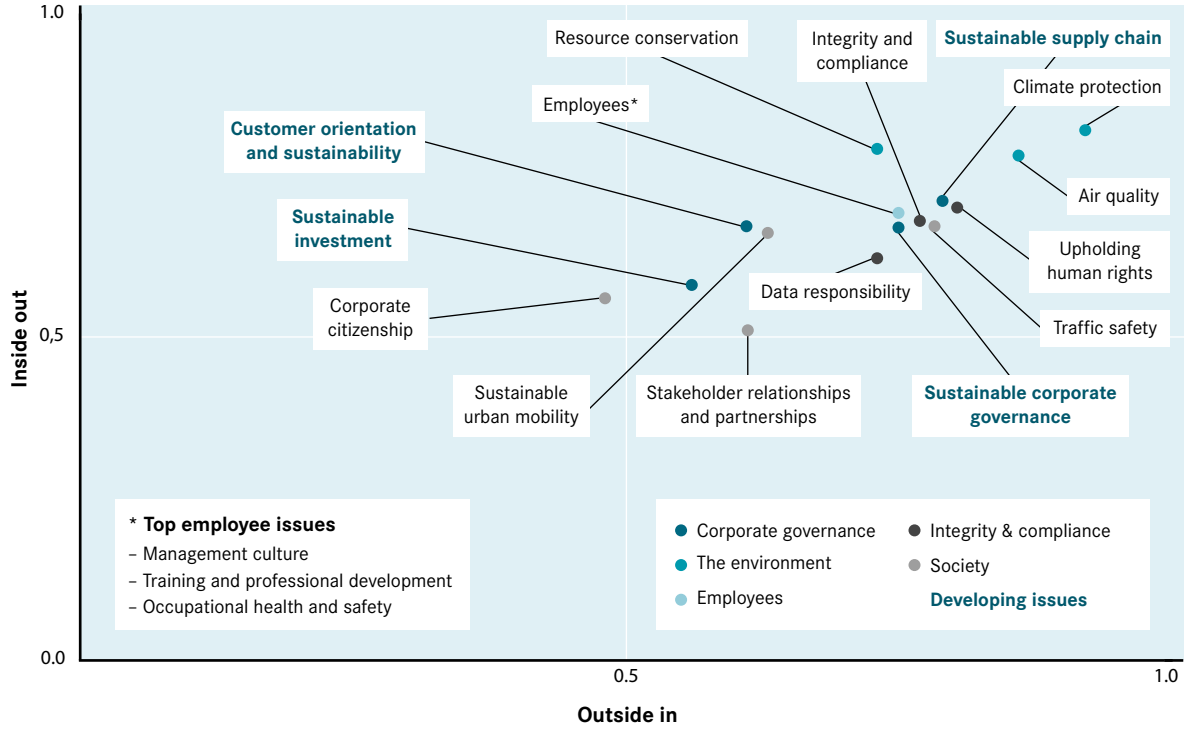
- **Inside out:** What positive and negative effects do Daimler's business activities have on the economy, the environment, and society?
- **Outside in:** To what extent do the sustainability issues affect Daimler's business development, business results, and the company's situation?

5 | Our materiality analysis

GRI: 102-46



6 | Our materiality matrix



As a result of these parameters, the materiality analysis complies with the reporting requirements of the ↗ Global Reporting Initiative (GRI) and the CSR Directive Implementation Act (CSR-RUG).

After our final assessment of the 15 issues, we summarized them in a materiality matrix. The highest rankings went to the issues of climate protection, air quality, and resource conservation. This confirmed the relevance of our strategic areas of action. For the first time, having a sustainable supply chain was deemed to be a very significant issue.

The results of the materiality analysis form an important foundation for the ongoing development of our strategic areas of action. We have discussed them with all of the responsible specialist units and presented them to the Group Sustainability Board (GSB).

The Sustainable Development Goals are embedded in our strategy

GRI 102-15

In 2015 the United Nations defined a blueprint for worldwide sustainable development. It includes 17 sustainable development goals. In order to reach these goals, the business community, with its strong capacity for innovation and investment, is playing a crucial role. We willingly accept this role.

For many companies, it is still a challenge to connect the individual sustainable development goals with strategic key indicators and measures and to implement them. That's why we teamed up with TruCost to conduct an SDG impact analysis during the reporting year. Our objective was to assess our corporate performance with regard to the 17 SDGs relevant to our company. We analyzed the positive and potentially negative effects that Daimler is having on the individual goals. We also identified the sustainability goals that represent the greatest opportunities and the biggest risks for our company.

We would like to use our findings to further expand the contribution that our business activities are making to the achievement of the UN's sustainability goals. To this end, we are concentrating on the areas where we can create the most value added.

That's why our work is focusing on the following SDGs:

SDG 8 Decent Work and Economic Growth: We support the implementation of humane working conditions by developing and implementing a risk-based management approach to respecting and upholding human rights in our own units and in our supply chain. In addition, by manufacturing our products and providing our services we are creating attractive workplaces all over the world.

SDG 9 Industry, Innovation and Infrastructure: We are shaping the sustainable mobility of the future by connecting our CASE areas: Connected, Autonomous, Shared & Services, and Electric. Through the benefits we expect from this process, for example in the areas of safety and climate protection, we are demonstrating the potential of digital innovations for our society.

SDG 11 Sustainable Cities and Communities: Daimler is promoting sustainable mobility in metropolitan areas through its offers such as electrified city buses and trucks, carsharing, ride hailing, and the multimodal linking of mobility services.

SDG 12 Responsible Consumption and Production: We are working to increase the efficiency of our vehicles and significantly reduce our use of raw materials. One of our tasks is to reinforce the closed material loops for the primary raw materials that are needed for our electric vehicles. In this way we are laying the groundwork for sustainable production patterns.

SDG 13 Climate Action: Through our sustainable business strategy and the associated measures and goals for reducing the emissions of our vehicles, plants, and supply chain, we are making a concrete contribution to global climate protection.

How we are managing the Group sustainably

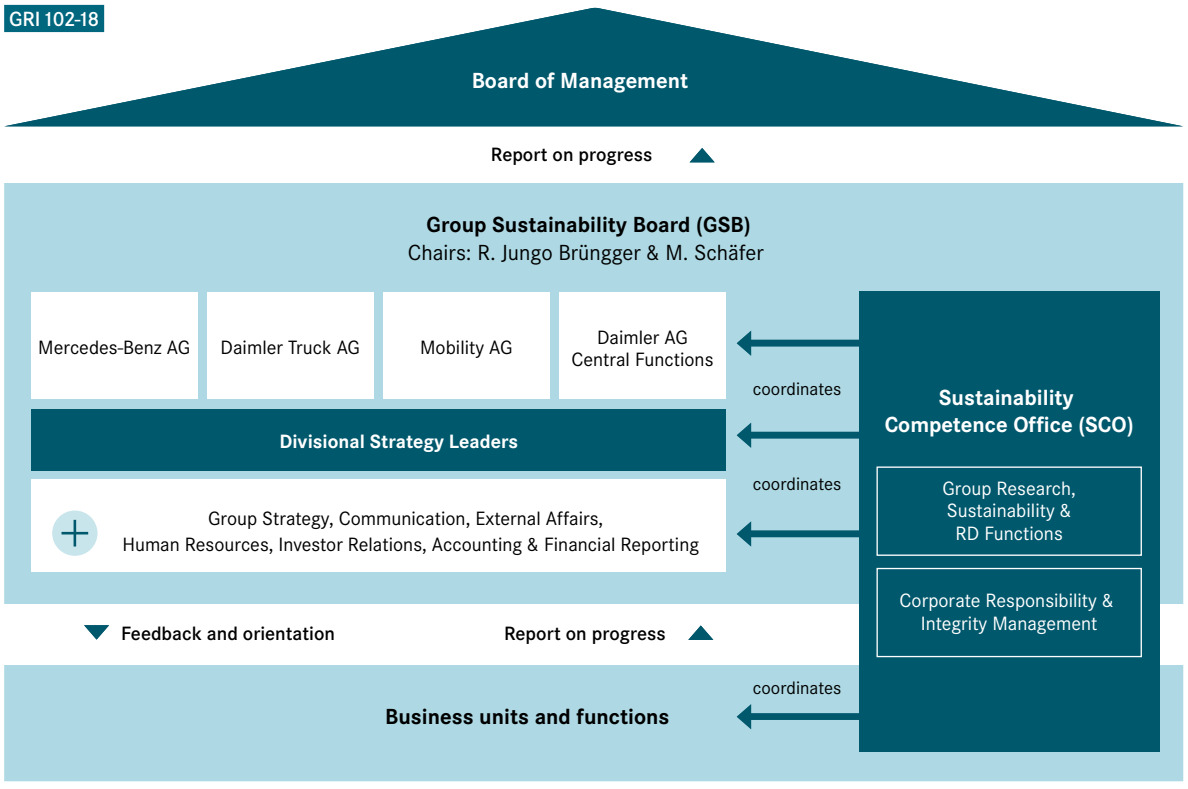
GRI 102-3/-5/-10/-18/-19/-20/-22/-23/-26/-28/-31/-32-/-35/-36

Daimler AG is the parent company of the Daimler Group and has its headquarters in Stuttgart. Since the introduction of the new corporate structure in January 2020, the Group's business operations under the umbrella of Daimler AG are no longer managed in five divisions, but in three. Mercedes-Benz AG is responsible for the business of Mercedes-Benz Cars & Vans, and Daimler Truck AG combines the activities of Daimler Trucks & Buses. Daimler Financial Services, which had already been legally independent for years, has been renamed Daimler Mobility AG. With its new structure, Daimler AG has taken on the steering function and provides services for the Group companies. As the parent company, it also defines the Group's strategies, makes decisions about strategically significant issues related to our business operations, and ensures the effectiveness of organizational, legal, and compliance-related functions throughout the Group.

Our governance structure, which consists of the Board of Management and the Supervisory Board, corresponds to the dual leadership structure required by German law for a stock corporation. The Board of Management manages the company, and the Supervisory Board monitors and advises the Board of Management. The two bodies work together very closely for the welfare of the company and are guided in their efforts by the German Corporate Governance Code.

7 | Governance

GRI 102-18



The short-term and medium-term variable components of remuneration – the Daimler Company Bonus – have been revised for the Board of Management and Level 1–3 managers, with effect as of January 1, 2020. These components are linked not only to financial targets but also to sustainability-related transformation targets and non-financial targets that focus on employees, customers, integrity, and diversity.

↗ **Remuneration Report, AR 2020**

In accordance with our sustainable business strategies, we are managing our work in the six areas of action by means of an internal reporting process that uses detailed scorecards. Our management and organizational structures support this process by establishing clear lines of responsibility in all of our business divisions.

The Group Sustainability Board (GSB) is our central management body for all sustainability issues and reports to the Board of Management of Daimler AG. The GSB has a shared management structure, with Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs and member of the Board of Management of Mercedes-Benz AG) and Markus Schäfer (the Board of Management member responsible for Group Research; also Mercedes-Benz Cars Chief Operating Officer) serving as Co-chairs. The GSB submits progress reports, as well as proposals for decisions regarding the areas of action that are part of the Group's sustainable business strategies, to the Board of Management. Ultimate responsibility is held by the Board of Management, whose members are appointed by the Supervisory Board. The Supervisory Board decides on the Board of Management's transformation goals, which include non-financial goals.

The operational work is done by the Sustainability Competence Office (SCO), which consists of representatives from the units managed by the two Co-chairs as well as additional representatives from Corporate Strategy and Corporate Communications. Besides performing its other tasks, the SCO also monitors the progress made in the six areas of action and the three enablers defined in the sustainable business strategies. This progress is reported to the GSB in the form of detailed scorecards at least once a year. With the help of a tracking list, the GSB also monitors the implementation of the activities that have been decided on.

A basic training program regarding sustainability was developed and rolled out in 2020 in order to further sensitize employees all over the world to sustainability issues. This program teaches participants the fundamentals of sustainability at Daimler and the strategic areas of action that are part of the company's sustainable business strategies.

The Board of Management also informs the Supervisory Board about our sustainability issues at regular meetings. In addition, there is close communication with our external Advisory Board for Integrity and Corporate Responsibility regarding the progress of the implementation of our sustainable business strategies.

The Advisory Board for Integrity and Corporate Responsibility supports us with constructive criticism

Our policies are accessible to our employees on a central platform

GRI 102-16

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

The House of Policies is our digital platform for policies. All the internal policies of the Group and all the works agreements are compiled here in a user-friendly database that is accessible to all employees. The policies are available in several languages. Here our employees also can access a compact web-based training course about the policies, and the Group companies can receive advice about local policy management.

We also use the ten principles of the UN Global Compact as a fundamental guide for our business operations. As a founding member and part of its LEAD group, we are strongly committed to the UN Global Compact. Our internal principles and policies are founded on this international frame of reference and other international principles, including the Core Labour Standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. Within the framework of our participation in the UN Global Compact, our specialist units are active in a variety of working groups – for example, regarding transparency, reporting, and responsibility in global supply chains.

Financial and non-financial performance indicators are managed Group-wide

GRI 102-11/-29/-30

The Daimler Group is exposed to a large number of risks that are directly linked with the business activities of Daimler AG and its subsidiaries or that result from external influences. A risk is understood as the danger that events, developments or actions will prevent the Group or one of its segments from achieving its targets. This includes financial and non-financial risks. At the same time, it is important to identify opportunities in order to safeguard and enhance the competitiveness of the Daimler Group. An opportunity is understood as the possibility due to events, developments or actions of safeguarding or surpassing the planned targets of the Group or of a segment.

The divisions have direct responsibility for recognizing and managing business risks and opportunities at an early stage. As part

of the strategy process, they also identify risks that are connected with the Group's planned long-term development and opportunities for continued profitable growth. The results of their work are included in the decision-making process. In order to identify business risks and opportunities at an early stage and to assess and manage them consequently, management and control systems, which are clustered into a risk and opportunity management system, are applied. Opportunities and risks are not offset.

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. This system is an integral part of the overall planning, controlling, and reporting process that is performed by the companies, segments, and corporate functions. It is a key factor in the achievement of our corporate targets and the enhancement of risk awareness at the Group.

The opportunity management system at the Daimler Group is based on the risk management system. The objective of opportunity management is to recognize the possible opportunities arising in business activities early on and to use them in the best possible way for the benefit of the Group. This should result in planned targets being met or exceeded. Opportunity management considers relevant and realizable opportunities that have not yet been included in any planning.

As part of the planning process, risks and opportunities are noted within an observation horizon of up to five years. The segments pass along this information to the corporate risk management unit, which presents it to the Board of Management and the Supervisory Board. Furthermore, the employees responsible for risk management have the task of defining measures and, if necessary, initiating such measures to avoid, reduce, or protect the Group against risks. Within the context of opportunity management, measures are to be taken with which opportunities can be seized, improved and (fully or partially) realized.

Sustainability-related risks and opportunities are a fixed component of the Group-wide planning, controlling, and reporting process

Risk and opportunity management is a fixed component of the Group-wide planning, controlling, and reporting process. It is designed to sustainably support the achievement of the corporate targets and to ensure risk awareness at the Group. Sustainability aspects are integrated into the Group-wide risk management process at Daimler. Sustainability-related risks and opportunities are defined as conditions, events or developments related to the environment, society or corporate governance (ESG) whose occurrence could actually or potentially impact the earnings, financial position, asset situation, and reputation of the Daimler Group. Circumstances categorized as environmental issues include CO_2 emissions, extreme weather events, waste prevention, and recycling. Labor law standards, product safety, product liability, and suppliers' compliance with labor law standards are examples of circumstances categorized as social issues. The area of corporate governance is concerned with matters such as honesty in tax affairs, measures taken to prevent corruption, and ensuring data protection.

The ESG-related risks and opportunities are listed according to their causes in the corresponding categories of the Risk and Opportunity Report. With regard to climate-related risks and opportunities, Daimler orients itself according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, legal risks or social violations by partners and suppliers can have a negative impact on the reputation of the Daimler Group, on the environment, and on employees at partner and supplier companies. As one of the fundamental principles of its business activities, Daimler therefore places particular priority – also in the selection of partners and suppliers – on adherence to applicable laws and ethical standards.

Further information can be found in the Risk and Opportunity Report.

Risk and Opportunity Report, AR 2020

How we communicate and assess risks and opportunities

The organizational embedding of risk and opportunity management is carried out by the risk management organization that has been established at the Group. The responsibility for operational risk management and for the risk management processes is borne by the segments, corporate functions, organizational units, and companies. They report on the concrete risks and opportunities at regular intervals to their superordinate units. Unexpectedly occurring material risks must be reported immediately. The segments pass along this information to the corporate risk management unit, which presents it to the Board of Management and the Supervisory Board.

The Group Risk Management Committee (GRMC) is responsible for ensuring continuous improvement and evaluating the efficiency and effectiveness of the risk management system. The GRMC consists of representatives from Accounting & Financial Reporting, the Legal Affairs department, Compliance, Technical Compliance, Corporate Security, and the Management Board members responsible for finances at Mercedes-Benz AG, Daimler Truck AG, and Daimler Mobility AG. It is headed by the Daimler AG Board of Management members who are responsible for Finance & Controlling, Daimler Mobility, and Integrity and Legal Affairs. The Internal Auditing department takes into account material findings via the internal controlling and risk management system.

Managing environmental and occupational safety risks at the local level

GRI 102-29/-30/-31 GRI 413-2

Local risk management plays a key role at our locations with regard to environmental and occupational safety risks. In order to identify and address local labor protection and environmental risks, we operate an Environmental & Safety Risk Management system at our Group-owned production facilities. By means of this system we regularly assess the extent to which we have fulfilled our due diligence obligations. We do this by visiting each location approximately every five years and using a standardized process to find out whether our corporate policies regarding environmental protection and in the area of health and occupational protection have been duly implemented. Risk assessment is carried out in the following theme fields, among others:

In the occupational safety area:

- Safety and accident management and occupational safety organization
- Performance of hazardous work
- Hazards due to fire and explosion
- Risks due to machines and plants

In the environmental protection area:

- Environmental management
- Emissions into the atmosphere
- Discharge into bodies of water
- Waste management
- Contamination of soil and groundwater

Common risks in both areas:

- Handling of, and exposure to, substances hazardous to the environment
- Risks due to ambient conditions

The results of the risk assessments are communicated to the plant and divisional management in the form of reports that define appropriate correction measures. The implementation of these measures is monitored annually in a controlling process.

We utilize management systems to ensure clear areas of responsibility as well as transparent and standardized reporting at our production facilities around the world. Approximately 98 percent of our employees work at locations with environmental management systems certified according to ISO 14001. Approximately 40 percent of our workforce at our own production locations – about 100,000 employees – work at production facilities with occupational safety management systems certified according to ISO 45001 or OHSAS 18001.

The risk assessments at individual locations that had been scheduled for 2020 could not be carried out as planned because of the covid-19 pandemic and the associated travel restrictions and lockdown regulations. In order to return to the five-year cycle in the future, we intend to carry out the skipped assessments in the years ahead. However, we are continuing our controlling of the degree of implementation of the improvement measures, as usual. We are also continuously refining our method of risk assessment.

8 | Examples of instruments of our stakeholder dialog

GRI 102-21

Information

- Daimler Sustainability Report and regional reports
- Corporate website
- Social Intranet and additional internal communication channels
- Press and public relations work
- Blogs and social media
- Plant tours, receptions, Mercedes-Benz Museum
- Environmental declarations by the plants

Dialog

- Annual Daimler Sustainability Dialogue (Germany/regions)
- Local dialog with residents and municipalities
- Internal dialog sessions on integrity and compliance
- Daimler Supplier Portal
- Involvement in sustainability initiatives and networks
- Specialist conferences on societal topics and debates
- Topic- and project-related discussions
- Dialog formats on future questions: think tanks, hackathons, idea competitions

Participation

- Stakeholder consultation in topic-related working groups
- Advisory Board for Integrity and Corporate Responsibility
- Peer review within the framework of sustainability initiatives such as the UN Global Compact and the Global Reporting Initiative
- Participation in selected sustainability rankings and ratings

Making strategic decisions in a dialog with stakeholders

GRI 102-21/-40/-42/-43/-44

We consider it important to engage in a continuous dialog with all of our interest groups. This allows us to consider various perspectives on our involvement with sustainability issues, identify and address new trends, 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 all the parties involved.

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. Whether an individual, organization or group is a stakeholder of our company depends on the extent to which our decisions influence them or, conversely, the extent to which they can influence our decisions. Thus our primary stakeholders are our customers, employees, investors, and suppliers. We also communicate regularly with groups in civil society such as nongovernmental organizations, as well as associations, trade unions, the media, analysts, municipalities, residents in the communities where we operate, and representatives of science and government.

We use the following instruments for the dialog with our stakeholders

We use various instruments to engage in a dialog with our relevant stakeholders. On the one hand, we use our own dialog formats, which includes the "Daimler Sustainability Dialogue". We also conduct stakeholder surveys, specialist conferences, and thematic dialog sessions that can also take the form of workshops or are held by our Advisory Board for Integrity and Corporate Responsibility. On the other hand, we keep ourselves up to date on the latest discussions and the associated expectations by participating in industry-specific and cross-industry networks and initiatives. We also evaluate studies and other scientific publications and conduct our own media analyses. These measures help us to identify developments and the associated expectations in areas beyond the dialog events we have initiated.

How we conduct the dialog at the Group level

GRI 102-33/-43/-44

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. These proactive dialog activities are initiated by experts from the Integrity and Legal Affairs division and other players such as the External Affairs (EA) unit. For example, EA organizes political dialogs. The Integrity and Legal Affairs unit also works together with Corporate Communications to coordinate the "Daimler Sustainability Dialogue". Our sustainability committees, the GSB, and the Sustainability Competence Office manage other dialog activities.

The virtual "Daimler Sustainability Dialogue" has met with a great response

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 the Daimler Board of Management and executive management. The participants attend a range of workshops, where they discuss selected issues related to sustainability and work together to further develop their approaches. Our personnel responsible for specific themes take up the impulses generated by the participants and work together with the stakeholders to incorporate these ideas into their work. They then report at the event in the following year on the progress made in the interim. Due to the covid-19 pandemic, we held our "Daimler Sustainability Dialogue" via a digital meeting platform for the first time in 2020. Four representatives of the Board of Management of Daimler AG presented a comprehensive status report. More than 200 external and Daimler participants split up into eight working groups to discuss themes such as human rights, environmental protection, livable cities, and the topic of "Employees and Integrity." The meeting was concluded with a discussion of the sustainable transformation of mobility by the Chairman of the Board of Management, Ola Källenius, and renowned experts.

As a globally operating company, we have set ourselves the goal of establishing sustainability at our business units and specialist units all over the world. For this reason, we organize "Daimler Sustainability Dialogue" events in other countries and regions as well. Such international dialog events have been held in China, Japan, the United States, and Argentina. During the reporting year, more than 300 stakeholders attended the eighth "Daimler Sustainability Dialogue" in China – which here too was held virtually for the first time. The participants discussed topics such as green manufacturing, urban mobility, and social responsibility.

The Advisory Board for Integrity and Corporate Responsibility supports us with constructive criticism

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 – who are independent external experts from the fields of science and business, as well as from civic organizations – offer us constructive criticism in questions related to integrity and corporate responsibility at Daimler. The board meets at regular intervals and also holds discussions with members of the Board of Management and responsible personnel from the specialist units. During the year under review, the Advisory Board also held a joint meeting with representatives from the Supervisory Board. The Advisory Board's members have extensive experience and possess diverse specialized knowledge regarding environmental and social policy, various human rights and ethical issues, and the development of transport, traffic, and mobility. During the reporting year, the Advisory Board focused in particular on the transformation of the automotive industry, the further development of Daimler's sustainable business strategies, and measures for dealing with the covid-19 pandemic.

We actively participate in associations and committees

GRI 102-12/-13

Daimler maintains regular contact with representatives of business, government, and other interest groups that advocate for sustainable development. 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, econsense – German Business Forum for Sustainable Development (Forum Nachhaltige Entwicklung der Deutschen Wirtschaft e. V.), and the World Business Council for Sustainable Development. Within these initiatives we also hold discussions with representatives of civil society.

Partnerships

Memberships

We use our media and committee work to help us make operative and strategic decisions

We also utilize online and print media, discussions with experts, workshops, and local and regional dialog events for our dialog with stakeholders. We also receive inquiries from individual stakeholders concerning various sustainability-related topics. These inquiries are addressed directly and locally by specific specialist units and business units. This approach brings our stakeholders closer to our business operations and makes it possible to directly incorporate specialized knowledge into the dialog. Individual inquiries from stakeholders are also reported at the meetings of our sustainability bodies and are thus taken into consideration in our strategic decisions. Our sustainability bodies also coordinate the dialog with our stakeholders on interdisciplinary issues. The discussions conducted during the reporting period focused on themes such as climate protection, electric mobility and the battery value-added chain, respect for human rights, livable cities, data responsibility, and artificial intelligence.

Open-ended dialogs at the local and regional levels

GRI 413-1

We also engage in a dialog with the stakeholder groups at our business 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 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.

One important example of a regional dialog was the virtual interim results conference of the strategic dialog for the automotive industry in Baden-Württemberg in September 2020.

At this conference, the participating partners presented current projects and information related to the transformation of the automotive sector to a wide audience. We used this opportunity to inform the audience about the latest trends in training and professional development, as well as our activities in the area of urban mobility. In a chat area the participants could engage in discussions with the virtual visitors.

Partnerships

Sustainable investment is increasing its impact

The volume of managed assets invested on the basis of sustainability criteria (ESG criteria) has been increasing steadily over the last few years. This trend is also reflected by the increasing number of investors who have committed themselves to the UN Principles for Responsible Investment (PRI). One of the drivers of this development is the realization that investors' portfolios are more resilient if the companies represented in the portfolios are also assessed from the standpoint of sustainability. It is also becoming evident that this approach is not expected to cause any loss of return compared to conventional assessment methods. As a result, the ESG criteria are becoming increasingly important in capital investment processes. This development offers companies the opportunity to differentiate themselves in the competition for equity and debt. The crucial elements of this opportunity are sustainable business strategies, ambitious goals, and transparent reporting on sustainability aspects along the entire value-added chain. We are also seeing increasing interest on the part of legislators and society at large in a more sustainable organization of economic processes. People now expect financial streams to flow into sustainable corporate activities that serve the interests of society and the environment. As a result, companies and players in the capital market are being increasingly called to account regarding the environmental and social impacts of their business activities.

They are also facing increasing demands and formal obligations to disclose information related to sustainability. Investors expect them to publish reports conforming to standards such as those of the TCFD (Task Force on Climate-related Financial Disclosure) and the SASB (Sustainability Accounting Standards Board). Meanwhile, the extent of statutory disclosure obligations is continually growing – for example, as a result of the new EU taxonomy and the ongoing development of legislation concerning non-financial reporting.

TCFD Reference Table

SASB Reference Table

Daimler is distinguishing itself as a sustainable issuer

Our sustainable business strategies, such as Ambition 2039 for Mercedes-Benz AG, are the fundamental reason why Daimler is viewed as a sustainable investment object on the capital market. Our focus is on a continuous dialog with players on the capital market as representatives of investors in equity and debt. We conduct this dialog via platforms such as ESG conferences and roadshows as well as individual talks with investors and investor initiatives. The Investor Relations unit at Daimler AG works closely together with the company's in-house sustainability experts. To support this cooperation, in 2019 we set up a new function at Investor Relations that focuses on managing communication with sustainability-oriented investors and analysts. This is our response to the fact that sustainable investment has become a central investment strategy – especially for institutional investors, who set especially high standards of transparency for external reporting according to ESG criteria.

We are closely monitoring developments at the standard-setting bodies (such as TCFD, SASB, GRI) as well as our capital investors' changing requirements regarding ESG reporting. This enables us to identify early on the growing requirements regarding transparent reporting by capital market players.

In 2020 we published a reference table for climate-related reporting for the first time. Our approach here complies with the recommendations issued by the Task Force on Climate-related Financial Disclosure (TCFD).

TCFD Reference Table

In view of the present-day diversity of reporting standards, initiatives that serve to harmonize standards should be welcomed by the companies involved. These initiatives include the joint statement of intent of the standard-setting bodies mentioned above (↗ Statement of Intent to Work Together Towards Comprehensive Corporate Reporting) and the recommendations made by the ↗ IFRS Foundation.

ESG rating agencies such as MSCI, Sustainalytics, ISS, and CDP are additional important players in the capital market and in the sustainability-oriented investment process. Daimler has been publicly reporting the details of its climate-related business activities in line with the CDP standards for more than 15 years. Since 2018, the CDP has adapted its questionnaires on climate change to conform with the recommendations of the TCFD and adopted its anticipatory approach to the disclosure of climate-related risks. In 2020 Daimler was once again in the Leadership category with an "A-" rating. Today the rating results of most suppliers are made available to the public on the companies' respective websites. At Daimler, we rely on cross-unit cooperation to provide the rating agencies with the information they require. We intend to continue the ongoing development of our external reporting, close any gaps, and initiate internal change processes.

In 2020, we developed a company-wide Green Finance Framework in order to even more effectively position Daimler as a sustainable investment object and enable us to exploit the opportunities that sustainable financing offers for corporate development. The Green Finance Framework makes it possible for us to finance investment in sustainable technologies through bonds and loans, for example. On the basis of the Green Finance Framework, Daimler issued a green bond with a volume of €1 billion at the beginning of September 2020. The framework is based on the voluntary process guidelines – the Green Bond Principles – of the International Capital Market Association (ICMA). The Green Finance Framework was presented in a virtual roadshow and has attracted a great deal of interest among investors. The framework has received certification with the highest rating – "Dark Green" – from the Center for International Climate and Environmental Research (CICERO).

We manage pension assets in line with sustainability criteria

Daimler operates as an investor itself when it invests the company's pension assets. ESG criteria are playing an increasingly important role in our selection process for capital investments. When we make sustainable investments, we also take the associated risk and return aspects into account.

In Germany, the capital investment process for most of our German pension assets is handled by investment managers to whom we grant individual mandates. We are increasingly making sure that the investment process takes sustainability aspects into account and makes them transparent, and we work exclusively with investment managers who have signed the UN Principles for Responsible Investment. Sustainability is also one of the investment principles of Daimler Pensionsfonds AG.

We also use a negative list to exclude investing in companies that do not fulfill our core requirements. Furthermore, we are striving to integrate ESG aspects even more closely into our own processes, and in 2020 we developed a sustainability concept for this purpose. We are now implementing individual elements of this concept step by step in our investment processes. In addition to taking the ESG ratings into account in our investment process, we also aim to expand our ESG-themed investments. The measures we have implemented as part of our sustainability concept are regularly assessed and adapted to current developments.

For our investments abroad, we take the country-specific requirements into account.

How we fulfill our tax obligations

GRI 207-1/-2/-3

Daimler views itself as a responsible company that strives to meet all of its global tax obligations while also taking into account its corporate values and its sense of social and ethical responsibility.

In line with our Group management strategy, we are operating in line with the following principles in particular:

- We ensure that the Group companies meet all of their tax obligations and that they comply with our integrity standards through the use of suitable measures such as efficient, high-quality, and reliable expertise, processes, systems, methods, and controls.
- We have established an active risk management system for the Daimler Group and its relevant employees by means of an adequate Tax Compliance Management System (Tax CMS).
- In line with the principle of being a good corporate tax citizen, we conduct legal and proactive, but also non-aggressive, tax planning activities on the basis of economic considerations ("tax follows business"). We also strive to work cooperatively, transparently, and constructively with the tax authorities. In the process, we maintain our legal standpoints and defend our interests wherever we believe such actions are appropriate and legitimate.

The Group's tax strategy defines the limits of our actions, and this strategy is further specified and implemented by means of organizational and content-related policies, provisions, and instructions.

The tax policies define responsibilities, tasks, and obligations and also contain specific provisions for ensuring that legal requirements are met. In this manner, they also make the responsible employees throughout the Daimler Group more familiar with tax issues. Our Code of Conduct stipulates that all intentional violations of internal or external tax provisions, as well as any failure to make corrections to procedures performed in an erroneous manner, are to be reported and investigated in line with our internally valid rule violation policies.

Working together for a fair partnership: Whistleblower System BPO

The Corporate Tax department has established a Tax CMS in order to ensure effective tax compliance. The Tax CMS is a separate sub-unit of the ↗ Compliance Management System (CMS). The Tax CMS also operates an active tax-risk management system and monitors and checks the fulfillment of tax obligations. The goal of this consistent Group-wide risk management system is to effectively identify and reduce tax risks at the Daimler Group, and thus the associated personal risks that may be faced by the employees active in this area. The system comprises numerous measures that include a permanent tax risk review and the incorporation of tax risk issues into the internal control system (ICS) and the Group-wide risk management process in line with our risk management policy. No significant violations of these regulations regarding the tax laws became known to us in the reporting year.

Climate protection & air quality

Climate protection & air quality

About one fifth of all greenhouse gas emissions in Europe are produced as a result of the transport of people and goods on streets and roads – and that share is rising. We are taking deliberate measures to counteract this trend and have made climate protection a core element of our business strategy. Our goal is to make our entire new vehicle fleet CO_2-neutral by 2039 and to ensure that it no longer has any relevant effects on air quality in inner cities by 2025. We plan to achieve this goal by using a holistic approach that includes ambitious targets for all stages of automotive value creation – from the supply chain to production, the vehicle use phase, and vehicle disposal and recycling.

Target	Target horizon	SDGs
CO_2-neutral production*	**starting in 2022**	7, 13
Market launch of new xEV models (> 10 battery-electric vehicles, > 25 plug-in hybrid electric vehicles)**	**2025**	9, 13
Our objective is to ensure that from 2025 on our new fleet of cars no longer has any relevant impact on nitrogen dioxide (NO_2) pollution in urban areas.	**2025**	11, 13
Reduction of the CO_2 emissions of the Mercedes-Benz AG new vehicle fleet by 2030*** > 40%	**2030**	9, 13
CO_2-neutral vehicles**** by 2039	**2039**	9, 13

* Mercedes-Benz AG worldwide, Daimler Truck AG in Europe
** only cars
*** Compared to 2018, regarding the use phase (well-to-wheel), corresponding to the target of the Science Based Targets Initiative
**** New passenger cars throughout the vehicle life cycle worldwide, as well as new trucks and buses in driving operation in key regions (the triad markets Europe, Japan, and North America). This includes vehicles that are sold by Mercedes-Benz AG or that are sold by Mercedes-Benz AG as general contractor, including upfitter solutions.

EQA: Combined electrical consumption: 15.7 kWh/100 km; combined CO_2 emissions: 0 g/km[1,2]

1 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.
2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

SPURWECHSEL — MERCEDES-BENZ CARS
is changing lanes

Mercedes-Benz passenger cars: Sustainability in the premium segment

By means of the realigned Mercedes-Benz strategy, we want to show that self-determined mobility and sustainability are compatible in the premium segment. We are convinced that the future must, and will, be sustainable. This is why we are working hard at every level to make our vehicles more environmentally and climate-friendly while fulfilling the highest quality standards.

We have formulated our own "Ambition 2039" goals as we continue on this path:

2022 We intend to offer several electric model variants in all segments from Mercedes-Benz Cars & Vans by 2022.

2025 Depending on how conditions develop, we at Mercedes-Benz Cars plan to have all-electric vehicles account for up to 25 percent of unit sales by 2025.

2030 Our goal is to have plug-in hybrids or all-electric vehicles account for more than 50 percent of our car and van sales sales by 2030.

2039 We aim to achieve CO_2 neutrality for our new car and van fleet by 2039.

We signed The Climate Pledge in October 2020. By joining this initiative we reaffirmed our ambition to continue moving systematically toward emission-free mobility and sustainable vehicle production. Together with Amazon, Global Optimism, and other participating companies, we are pursuing the goal of being CO_2-neutral by 2040.

Mercedes-Benz AG is also a founding member of the international climate protection initiative Transform to Net Zero, which was launched by Microsoft. Through this membership we have further reinforced our commitment to the goals mentioned above.

In this initiative, nine renowned companies from diverse sectors and countries of origin are pooling their areas of expertise. Their goal is to improve the framework conditions for the decarbonization of the economy and society all over the world.

SPURWECHSEL — TRUCKS & BUSES
is changing lanes

Daimler Trucks & Buses: We are launching series production of locally CO_2-neutral vehicles worldwide

As one of the world's leading manufacturers of commercial vehicles, Daimler Truck AG has made a firm commitment to electric mobility in heavy-duty trucks and buses. With our electric city buses and comprehensive "e-bus" consulting services, we are already playing a major role in locally emission-free public transport and the improvement of air quality in cities. We have also set ourselves ambitious targets for reducing CO_2 emissions over the next two decades:

2022 We intend to offer series-produced vehicles with battery-electric drive systems in the main sales regions Europe, the United States, and Japan by 2022.

2nd half of the 2020s In the second half of this decade we intend to put series-produced vehicles powered by hydrogen-based fuel cells on the road.

2039 Daimler Truck AG has set itself the goal of offering only new vehicles that are CO_2-neutral in driving operation (tank-to-wheel) in Europe, Japan, and North America by 2039.

2050 By 2050 we intend to enable the use of CO_2-neutral transportation on all streets and roads.

Our vehicles: We are developing new standards for climate protection on the road

GRI 103-1

The Paris Agreement on climate protection establishes the goal of limiting global warming to significantly less than two degrees Celsius compared with the preindustrial level. In their climate protection plans, the signatory countries define their ambitious goals for reducing greenhouse gases overall and in individual sectors. For example, the climate protection plan of the German government aims to reduce total CO_2 emissions in the transport sector by 40 to 42 percent relative to 1990 levels by 2030.

EU regulations focus on new vehicles and prescribe the following reduction targets: By 2030, the CO_2 emissions of cars should be reduced by 37.5 percent relative to the base values of 2021; those of vans should be reduced by 31 percent. An intermediate target of 15 percent to be achieved by 2025 has been set for each of these two vehicle groups. Heavy-duty commercial vehicles must reduce their CO_2 emissions by 15 percent on average relative to the reference period 2019/2020 by 2025 and by 30 percent on average by 2030. Moreover, the overarching EU climate target within the framework of the EU Green Deal was adjusted from the current minus 40 percent to at least minus 55 percent for the period from 1990 to 2030. Against this background, we assume that the EU standards for new vehicles will also become much more stringent.

For us, the Paris Agreement represents more than just an obligation; our commitment to its targets stems from our fundamental convictions. We believe that it is our mission to develop technical innovations that will lead to CO_2-neutral mobility around the world. We realize that this mission will require a high level of investment. In order to finance it, we intend to increasingly use new tools such as ⓘ green bonds in the future. Green bonds offer environment-oriented investors the opportunity to directly participate in the implementation of our technological strategy. However, the broad-based success of low-emission mobility requires not only sustainable investment but also favorable framework conditions. We need ambitious CO_2 pricing systems for fossil fuels and the creation of a comprehensive charging infrastructure as well as a hydrogen filling station network.

Our product development takes emissions into account from the start

GRI 103-2

Daimler has set itself the goal of developing products that are especially environmentally friendly and energy-efficient in their respective market segments. Our environmental and energy guidelines define how we intend to reach this goal. Product development plays a key role in this regard: A vehicle's environmental impact – including its emissions of CO_2 and pollutants – is largely determined during the first phases of its development. The earlier in the development process we take environmental aspects into account, the more efficiently we can minimize the environmental impacts of our vehicles.

We systematically test the environmental friendliness of future products. An important tool in this process is the ongoing documentation of the development process. For every vehicle model and every engine variant, we define specific characteristics and target values – for example, for fuel consumption and pollutant emissions. We also use these target values to assess the milestones we pass in the course of product development. To this end we compare the current status of the project with the target values. If necessary, we initiate corrective measures on the basis of this assessment.

How we embed responsibility for more environmentally friendly vehicles in our organization

Our corporate management is responsible for setting our strategic goals, including targets for reducing our CO_2 emissions, and for monitoring our progress toward them. The Product Steering Board (PSB) monitors the development of the car fleet's CO_2 emissions in markets where such emissions are regulated. It is also responsible for providing forecasts. In its evaluations, the PSB takes into account the increasing degree of vehicle electrification and the changes that have been made to legal requirements, for example those related to the introduction of the new ⓘ WLTP test procedure. The Board of Management then decides which measures need to be implemented. On the market side of the equation, price and volume control measures can also affect our ability to achieve our targets in the short term. For this reason, these measures are also discussed with the Board of Management within the framework of the regular reporting on the current state of ⓘ CO_2 fleet compliance.

Responsibility for ensuring compliance with climate protection requirements is split between several units and Board of Management members. The development units of the vehicle divisions are responsible at the vehicle level. For cars and vans, these are the "Drive Systems Product Group" development unit, the product groups of the vehicles, and Mercedes-Benz Vans Development; for trucks and buses, they are the "Global Powertrain & Manufacturing Engineering Trucks" unit and the vehicle divisions. The various directorates of the drivetrain development units also play a special role here. The heads of production are responsible at the level of the production plants, and the Heads of Sales at the Daimler showrooms.

Our CO_2 balance applies to the entire life cycles of our products

GRI 305-3

Most of our CO_2 emissions are generated during the use phase of the vehicles. But greenhouse gas emissions are also generated in other segments of a vehicle's life cycle, and we take that into account in our overall CO_2 balance sheet. We record the key figures we need for life cycle assessments and publish them in line with the basic principles of the ⓘ Greenhouse Gas Protocol.

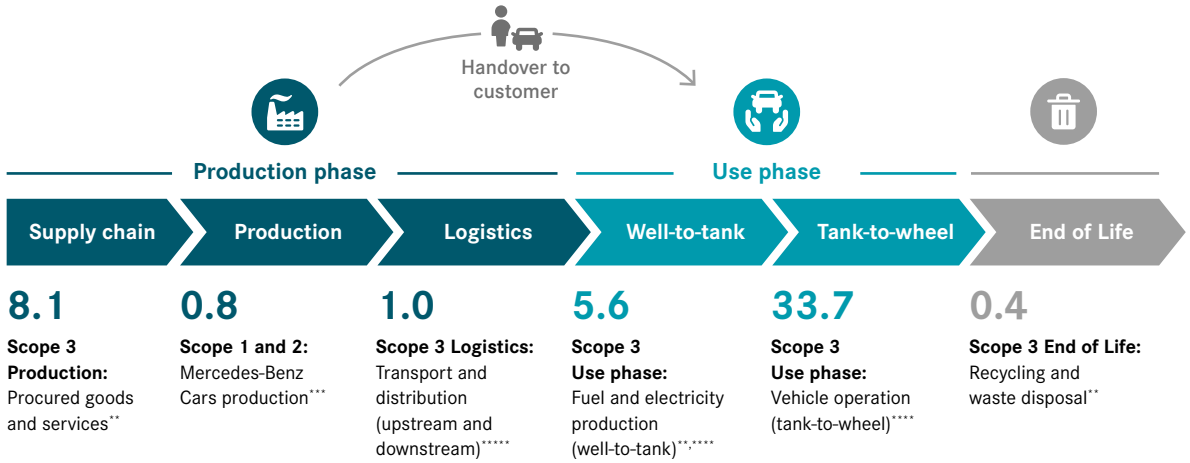
In line with this leading global life cycle assessment standard, we divide our CO_2 emissions into three categories called the Greenhouse Gas Scopes. Scope 1 comprises all the emissions we cause ourselves through the combustion of energy carriers at our production locations, such as the generation of electricity by our own power plants. Scope 2 includes all emissions that arise due to the generation of energy we purchase from external sources, such as electricity. Scope 3 includes all the emissions that are generated before (upstream of) or after (downstream of) our production operations. For example, Scope 3 includes the CO_2 emissions that arise in the supply chain (purchased goods and services), as a result of our vehicles' operation in customers' hands (the use phase, including the production of fuel and electricity) or in the recycling phase of the vehicles.

We have used these principles to calculate the emissions of the entire life cycle of the Mercedes-Benz car fleet worldwide. For 2020 we calculated an average CO_2 value of 49,7 tons per vehicle (see Diagram 9 in comparison with 2019 logistics were included for the first time).

Scope 3 emissions Mercedes-Benz Cars

9 | Scope 1, 2 and selected Scope 3 CO_2 emissions in tons per vehicle Mercedes-Benz Cars (2020)

GRI 305-3



* For calculation basis see appendix How we calculate and document our CO_2 emissions and Scope 3 emissions Mercedes-Benz Cars
** See life cycle assessment of vehicles
*** See key figures environment
**** Driving emissions of Mercedes-Benz Cars fleet (EU, China, USA and RoW) standardized, mileage: 200,000 km, for data basis see chapter Climate protection: Our CO_2 emissions – in all of our fleets
***** Forecast value

Across all divisions: Our future is electric

We are developing all-electric and electrified model variants for all of our vehicle types – from cars and vans to trucks and buses. Thanks to our modular development approach, we can quickly transfer technologies between our divisions.

Our development focus is on battery-electric mobility for cars and vans, and on all-electric drive systems with batteries or fuel cells for trucks and buses.

That's why Daimler is also continuing to develop highly efficient combustion engines that can also be powered by ⓘ e-fuels.

That's yet another way we can help to further reduce the CO_2 emissions of future vehicle generations. However, e-fuels are still very expensive to produce today. In order to further develop them and bring them into circulation, we need suitable regulatory approaches. One important regulation in this area is the ⓘ Renewable Energy Directive of the EU, which sets ambitious quotas for bringing synthetic fuels (including green hydrogen) into circulation. We are actively supporting this regulation through the political representation of our interests.

Partnerships

10 | Alternative drive systems Mercedes-Benz Cars*

		2019		2020	
Worldwide	Hybrid	29,907	1.2%	115,191	5.2%
	Electric drive	19,622	0.8%	47,672	2.2%
	Alternative drive systems (total)	49,529	2.0%	162,863	7.4%
	MBC unit sales (total)	**2,456,347**		**2,202,579**	
Europe	Hybrid	16,091	1.7%	104,113	14.1%
	Electric drive	18,419	1.9%	42,711	5.8%
	Alternative drive systems (total)	34,510	3.6%	146,824	19.9%
	MBC unit sales (total)	**954,912**		**738,957**	

* retail Mercedes-Benz Cars (incl. V- and X-Class)

As part of the effort to decarbonize transportation, Daimler Trucks & Buses relies on two complementary technologies: all-electric drive systems that use either batteries or fuel cells. By offering these two options, Daimler Trucks & Buses can optimally meet its customers' needs. The following rule of thumb applies: The lighter the payload and the shorter the distance, the more suitable a battery-electric truck is for the job. The heavier the payload and the longer the distance, the more a fuel-cell vehicle becomes the better option.

In November 2020 the Volvo Group and Daimler Truck AG signed a binding agreement to establish a joint venture for the development to series maturity of fuel-cell systems, their production, and their marketing. The focus is on utilization in heavy-duty trucks, but the systems will also be offered for other applications. By joining forces, the two companies can reduce their development costs and accelerate the market launch of the fuel-cell systems.

Mercedes-Benz Cars & Vans is pursuing ambitious climate-related goals

As part of our sustainable business strategy, Mercedes-Benz Cars & Vans has set itself the following goals:

- CO_2 neutrality for its new fleet by 2039: This applies to all the stages of automotive value creation – from the supply chain to production, the vehicle use phase, and vehicle disposal and recycling.
- Plug-in hybrids or all-electric vehicles will account for more than 50 percent of our car and van sales by 2030. This transformation will take place in a number of stages: Between now and 2022, we want to offer our customers a variety of electrified alternatives in every segment, ranging from smarts to transporters. Depending on how circumstances develop, we at Mercedes-Benz Cars want the proportion of all-electric vehicles to increase to up to 25 percent of our total sales by 2025.
- At Mercedes-Benz AG we also plan to reduce the greenhouse gas emissions of the new vehicle fleet during the vehicle use phase (well-to-wheel) by more than 40 percent relative to 2018 by 2030. This target has been confirmed by the Science Based Targets Initiative.

Reaching CO_2 neutrality as a team

At Mercedes-Benz AG, an interdisciplinary team consisting of environmental experts, buyers, developers, logistics specialists, production specialists, strategists, and sales experts monitor and manage CO_2 emissions in order to reach the goal of having a CO_2-neutral new-car fleet by 2039.

The Corporate Environmental Protection unit, for example, calculates the CO_2 emissions of all model series and all drive types at Mercedes-Benz Cars and conducts environmental and life cycle assessments for the vehicles. The Mercedes-Benz procurement unit works together with more than 2,000 direct suppliers so that it can also identify potential environmental risks in the supply chain and use targeted measures to minimize them. At the logistics unit, the routes for unavoidable goods transfers have to be optimized and the best mode of transport has to be used for each trip. That's the only way to reduce the emissions that are generated during goods delivery, sales operations, and shipment to distribution centers. Because most CO_2 emissions are generated during the use phase of a vehicle, CO_2 strategists are also important members of the team. These experts are responsible for the tank-to-wheel phase of a vehicle's life cycle, and through their know-how they help reduce the CO_2 emissions generated during driving operation. The working group also addresses the development of additional levers, such as CO_2-neutral production and a sustainable charging concept for Mercedes customers. Together, the members of the team are helping to ensure the successful decarbonization of Mercedes-Benz vehicles.

On the road to full compliance with CO_2 regulations for fleets

GRI 302-5 GRI 305-5

Europe. Due to their greater relevance, we have for the first time defined the CO_2 emissions of our new car fleet in Europe as "the most important" non-financial performance indicator in the reporting year 2020. For more information on how we expect the CO_2 consumption of our car fleet in Europe to develop, see the Outlook section of the Annual Report.

Outlook, AR 2020

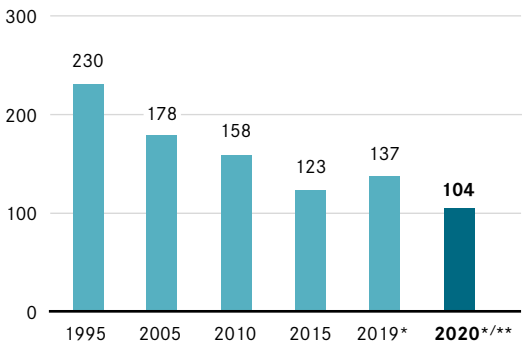
As a result of our compliance with the legal regulations, during the reporting year the average CO_2 emissions of our total passenger car fleet in Europe (European Union, UK, Norway and Iceland) decreased to an estimated 104 g/km (NEDC, including vans that are registered as passenger cars). This means that we achieved the CO_2 targets in the European Union (European Union, United Kingdom, Norway, and Iceland) in 2020.

Our plans call for the transition from the previous NEDC testing procedure to the new WLTP to take place in 2021. This will require us to adjust our consumption targets, and it will also lead to an increase in certification values. Whereas the CO_2 targets for the fleet were based on the NEDC values in 2020, in 2021 they will be based on the WLTP values according to the regulatory requirements. With regard to the value calculated according to the WLTP, we expect that our fleet's average CO_2 emissions in Europe (European Union, Norway, and Iceland) in 2021 will continue to be significantly lower than the figure, also calculated according to the WLTP, which was recorded for the previous year.

11 | Development of average CO_2 emissions of the Mercedes-Benz passenger car fleet in Europe

GRI 305-5

CO_2 emissions according to the New European Driving Cycle (NEDC) in g/km



* Including vans registered as M1 vehicles – all other years without vans.
** Projection

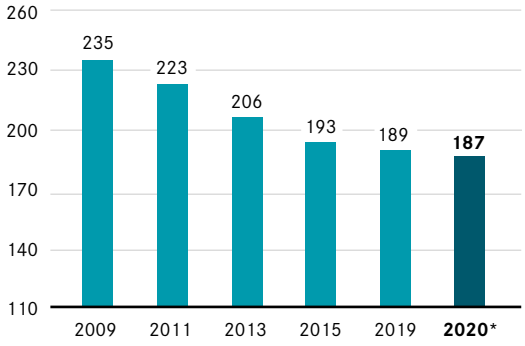
This development has been favored especially by the increasing proportion of all-electric and plug-in hybrid vehicles in our total car sales.

During the reporting year the average CO_2 emissions of our light commercial vehicles (N1, LCV) in Europe (European Union, Norway, and Iceland) decreased to 186.5 g/km (NEDC). This figure was thus lower than the stricter CO_2 target value.

The emission values have been calculated according to the new WLTP test procedure since mid-2019. At the beginning of 2021, the previous NEDC target values were converted to conform to the new test procedure and the targets for the fleet were adapted accordingly. We are confident that we will also reach the new CO_2 emission targets for our fleet in the future, thanks to the introduction of more fuel-efficient engines and transmissions as well as our electrified models, the eVito and the eSprinter.

12 | Development of average CO_2 emissions of the Mercedes-Benz van fleet in Europe

in g/km

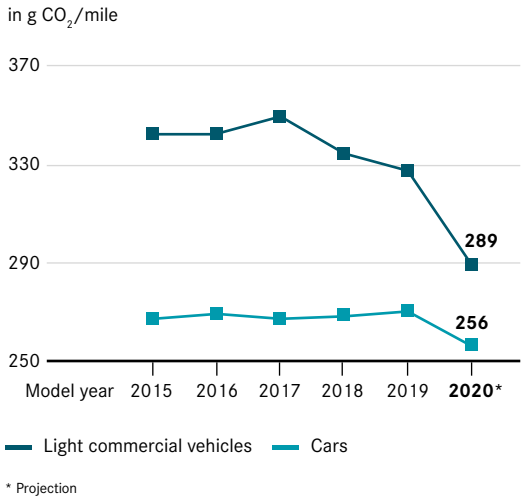


* Projection

United States. In the United States, fleet values are regulated by two co-regulating standards for limiting greenhouse gases and fuel consumption in vehicle fleets: the Greenhouse Gas Protocol (GHG) and the Corporate Average Fuel Economy (CAFE) standards. The GHG fleet figures for the CO_2 emissions of Daimler vehicles in the United States have improved over the last few years. For the 2020 model year, these figures are 256 g CO_2/mi for the car fleet and 289 g CO_2/mi for light commercial vehicles (based on the most recent forecast). Nonetheless, we did not reach our average fleet targets of 196 g CO_2/mi for the car fleet and 265 g CO_2/mi for light commercial vehicles. However, we were able to close the remaining gap by taking advantage of the flexibility measures specified in the legislation, including the purchase of external credits.

The models of the Mercedes-Benz Sprinter are subject to the GHG regulation for Classes 2b/3. The CO_2 targets in these classes depend on the payload, the towing capacity, and the drive type of the vehicles. In the reporting year the CO_2 emissions of our vehicles were 487 g CO_2/mi, which is lower than

13 | Daimler CAFE values for cars and light commercial vehicles in the United States



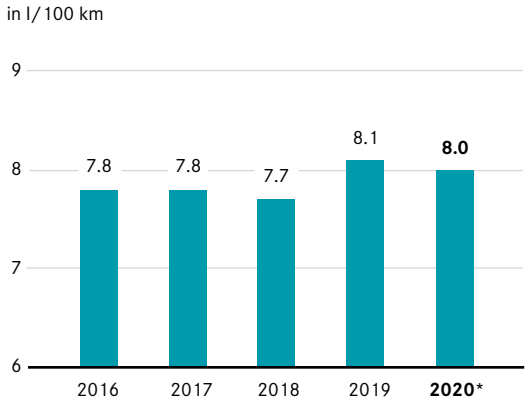
* Projection

the target value of 500 g CO_2/mi. We expect our figures to be lower than the target values in the years ahead as well.

China. In China, domestic and imported cars are reported separately and according to fleet consumption values, unlike in Europe and the United States. This means the figures for the imported fleet are relevant for our wholly owned subsidiary Mercedes-Benz China (MBCL). The fuel consumption target was 6.27 l/100 km, and the achieved value was 8.02 l/100 km (preliminary figure for the fleet's fuel consumption; if the off-cycle technologies are also included, the final fuel consumption figure could be better). External credits will be purchased at short notice in order to close consumption gaps in the fleet's

14 | Fuel consumption of the Daimler car fleet in China

GRI 302-5



* Preliminary value without off-cycle technologies

achievement of the target. We aim to achieve our emission targets in China in the medium term together with our joint venture partner Beijing Benz Automotive (BBAC) by expanding our range of all-electric vehicles and plug-in hybrids.

The V-Class and Vito models, which are produced by the joint venture Fujian Benz Automotive Co., Ltd. (FBAC), form another domestic fleet. The value achieved was 8.9 l/100 km; the target value was 7.2 l/100 km. At the moment, compensation for the fleet balance can only be achieved by means of a credit transfer. This situation is not likely to change by 2025, because the fleet consists of only a single vehicle type.

Legal limits on the fuel consumption and/or CO_2 emissions of car fleets and light commercial vehicle fleets exist today in many other markets as well, although the target values differ from market to market. The relevant countries here include major sales markets for our products – for example Switzerland, Canada, Japan, South Korea, Brazil, Taiwan, India, and Saudi Arabia. We also take these target values into account as we further develop our product range.

Mercedes-EQ: a new brand that signifies progressive luxury

In order to effectively market our growing portfolio of electric vehicles, Mercedes-Benz has created a new progressive sub-brand: Mercedes-EQ. Vehicles from Mercedes-EQ stand out by reason of their pioneering design, intelligent drive technology, and comfortable services.

We're enhancing the appeal of e-mobility in the luxury segment. With the introduction of the MBUX Hyperscreen, Mercedes-EQ offered an initial insight into the digital interior of the upcoming EQS. This all-electric member of the next S-Class family is the first fully electric Mercedes-Benz to be developed as an e-car from the very start. This opens up new possibilities in areas ranging from battery placement to vehicle design. Mercedes-Benz aims to lead the segment of all-electric luxury sedans with the EQS in the future. Our clearly defined development goal is to greatly expand the range of future batteries by boosting energy density, accelerate the series maturity of future battery technologies and, last but not least, significantly reduce charging times.

The EQS luxury sedan, which will be delivered to customers starting in 2021, marks Mercedes-Benz' achievement of two significant development goals: a range of more than 700 kilometers (in accordance with the WLTP standard), which is suitable for long-distance travel, and even faster charging by comparison with current models.

The EQA – an electric athlete in a compact format. The EQA (combined electrical consumption: 15.7 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2] is the point of entry into the Mercedes-EQ world of all-electric driving. As a close relative of the GLA, it has all of the GLA's characteristics and combines them with an efficient electric drive system. Smart assistants support the driver in many areas, including accident avoidance,

1 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.
2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

an anticipatory and thus highly efficient operation strategy, and navigation by means of electric intelligence. Customers can use Mercedes me Charge to recharge their vehicles at more than 175,000 public charging points all over Europe, and Mercedes-Benz uses green energy for the subsequent refilling. The EQA 250 (will be available in showrooms in Europe as of early 2021.

A premium people carrier – purely battery-electric and variable. The Mercedes-Benz EQV (combined electrical consumption: 26.4–26.3 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2] is the first premium people carrier from Mercedes-Benz with a purely battery-electric drive system. The EQV combines the variability of the V-Class with the advantages of a locally emission-free drive system. In addition, the EQV is integrated into an electric mobility ecosystem that combines intelligent navigation with active range management and cloud-based services and apps. The MBUX (Mercedes-Benz User Experience) infotainment system serves as the central control unit. The EQV also sets benchmarks for electric mobility in its class with its range of up to 418 kilometers[1,2] and its wide spectrum of applications for the most diverse customer requirements.

Charging the new smart EQ models is faster and easier. The smart brand is being systematically converted to emission-free battery-electric drive systems and is thus returning to its origins. Today the new smart EQ models already offer a combination of progressive design, smart connectivity, and a sustainable and comprehensive concept of urban mobility. These models include the fortwo coupe (combined electrical consumption: 16.0–14.0 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2], the fortwo cabrio (combined electrical consumption: 16.3–14.2 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2], and the forfour (combined electrical consumption: 16.8–14.6 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2]. The charging concept makes charging quick and easy: The optional 22 kW onboard charger with a fast-charging function makes it possible to charge the batteries of the new models at a 22 kW AC charging station from 10 to 80 percent in less than 40 minutes. Thanks to the brand's cooperation with its charging network partner Plugsurfing, smart customers have access to Europe's biggest charging network. Public charging stations can be located with the smart EQ control app.

Plug-in hybrids enable emission-free driving without worrying about range. On the road to all-electric mobility, plug-in hybrids are an important bridge technology. In this area Mercedes-Benz offers an efficient package of drive systems that mark an additional step toward CO_2-neutral mobility. At the end of 2020 customers could choose between more than 20 model variants. In a plug-in hybrid, an electric drive system and a combustion engine complement each other. This combination offers customers emission-free driving and eliminates range anxiety. Rechargeable lithium-ion batteries ensure a fully electric action radius that is more than enough for most daily drives – an electric range of over 70 kilometers (NEDC) in the compact segment and up to 100 kilometers in the luxury segment. Mercedes-Benz plans to roll out this technology across its entire vehicle range – from the A-Class to the S-Class and from the GLA to the GLE.

The EQ Ready app – ready for electric mobility?
Is an electric vehicle or a plug-in hybrid right for my daily life? By analyzing an individual's driving behavior, the EQ Ready app supports drivers who are wondering whether it would make sense for them to switch to an electric vehicle. Ever since its introduction three years ago, the app has been used more than 1.6 million times. The updated version of the app, which has been available since 2020, offers new functions such as the seven-day challenge, a virtual simulation of the charging process, and an improved user experience thanks to a new design. It gives users even more functions in even more countries – about 30 worldwide – and enables them to find out, among other things, how comprehensive the charging infrastructure already is in many markets.

The Mercedes me service – a new feature that creates incentives to save fuel. In July 2020 we launched the optional and free-of-charge Mercedes me app service "Individual consumption" in Europe for drivers of our A-Class and C-Class vehicles as well as the GLE and the GLS. Other models will follow. The app enables drivers to share their individual fuel consumption figures and compare them with those posted by drivers of similar vehicles. In the future we plan to offer services such as individual tips for saving fuel depending on driving style. By making individual drivers' fuel consumption in real operation transparent, we want to usefully complement the statutory data on fuel consumption and offer customized incentives for saving fuel.

For example, deviations from the WLTP cycle may be due to many different factors such as road conditions, load, weather conditions or, in particular, individual driving styles. The initial data show that individual fuel consumption figures can be lower or higher than the WLTP certification figure.

All commercial vans to be available with electric drive
Our plans to equip commercial vans with electric drives – for the "last mile" of goods delivery to the customer's front door, for example – are also moving forward. There is strong demand for this step from the courier, express, and package services (CEP) sector. Electric vans and urban delivery vans from Mercedes-Benz Vans are already in operation at many CEP service companies. In the years ahead we aim to greatly expand our product range and to offer all commercial van model series with an electric drive model. In addition to the vehicles themselves, Mercedes-Benz Vans also offers a holistic electric mobility ecosystem of supplementary services and consultation for commercial users.

Our portfolio includes electric vehicles – the eVito and the eSprinter – that thanks to their equipment and their range are ideally suited to meet the requirements of the CEP sector. Among other things, Mercedes-Benz Vans concluded a contract

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2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

to deliver more than 1,800 eVito and eSprinter vans with battery-electric drive systems during the year under review.

The eVito offers a variety of all-electric use options. The all-electric eVito comes in two versions – as a panel van for goods transport and a tourer model with up to nine seats for transporting passengers. The panel van offers a range of 150 to 184 kilometers[1,2] (NEDC) and an onboard charger with an output of 7.4 kWh. The tourer has a range of 421 kilometers[1,2], and the available battery capacity of 90 kWh can be optionally charged from 10 to 80 percent of capacity at up to 110 kW in about 45 minutes using a fast-charging station[3,4]. The recuperation level "Dauto" in the eVito Tourer is a new feature that enables an especially efficient and comfortable mode of operation. In line with the maxim "Drive with foresight and save energy," the onboard system connects the information provided by the safety assistants and uses it to adapt the degree of recuperation to the driving situation in real time.

The eSprinter panel van offers two battery configurations to choose from. The eSprinter, a 3.5-ton panel van with a cargo volume of up to 11 cubic meters, was introduced on the market at the end of 2019. It is available in two battery configurations – either for a wider range (range up to 168 kilometers[1,2]/payload 891 kilograms) or for a larger cargo volume (range of 120 kilometers[1,2]/payload 1,045 kilograms). The eSprinter has a direct-current fast-charging function. Under optimal conditions, it can charge the battery, which has a charging power of up to 80 kW, from 10 to 80 percent within about 25 minutes at DC charging stations.[3,4] Like the eVito Tourer, the eSprinter also has a variety of recuperation levels and driving modes.

We give our commercial customers advice regarding electric mobility. We support our commercial customers with comprehensive and transparent advice in the area of electric mobility. One example of this is the eVan Ready app, which enables commercial customers to check whether they could also drive their normal routes with one of our electric vans. They can also use the eCost Calculator to find out whether an electric Mercedes-Benz van would be a good option for them from a financial standpoint. Together with our customers, we analyze the charging infrastructure at their respective locations. We also show them what measures are necessary for the efficient operation of individual vehicles and of large or small fleets.

Daimler Trucks & Buses is pursuing ambitious climate targets

At Daimler Trucks & Buses, we have set ourselves the following targets on the way to CO_2-neutral road transportation:

— **By 2022** we plan to have a vehicle portfolio comprising series-produced vehicles with battery-electric drive systems in the main sales regions Europe, the United States, and Japan. In the second half of the decade, we plan to augment our vehicle portfolio with hydrogen-powered series-production fuel-cell vehicles.

— **By 2039** we aim to change our product range by offering only new vehicles that are locally CO_2-neutral in driving operation in the triad markets Europe, Japan, and North America.

— **By 2050** our ultimate goal is CO_2-neutral transport on the road.

EU CO_2-reduction targets defined

The EU has stipulated a 15 percent reduction of the CO_2 emissions of new heavy-duty commercial vehicles (>16 t) by 2025 and a 30 percent reduction by 2030 (relative to 2019/2020). To this end, the European Commission worked with automakers, scientists, and other experts to develop a standardized simulation program known as VECTO (Vehicle Energy Consumption Calculation Tool) for all of Europe. VECTO also includes the associated procedures for testing and measuring CO_2 emissions and fuel consumption. The relevant data will be collected throughout Europe and will be made transparent. We have defined a clear technology roadmap that will enable us to meet the EU's requirements.

Heavy-duty commercial vehicles: Battery and fuel-cell drive systems complement each other perfectly. Daimler Truck AG committed itself early on to systematically develop electric mobility in connection with heavy-duty trucks. From today's perspective, genuinely local CO_2-neutral transportation can only work with electric drive systems that are powered by batteries or by the transformation of hydrogen on board the vehicle. Daimler Truck AG is developing and testing several solutions of this kind.

The concept vehicle GenH2 Truck is powered with liquid hydrogen for a long range. The Mercedes-Benz concept vehicle GenH2 Truck presents, for the first time ever, technologies that can enable heavy-duty fuel cell series-production trucks to make long-haul trips of up to 1,000 kilometers with a single tankful of hydrogen in the future. Series production of the GenH2 Truck is scheduled to start in the second half of this decade. Thanks to the use of liquid hydrogen, which has a significantly higher energy density than gaseous hydrogen, the vehicle's performance are intended to be comparable to that of a corresponding diesel-powered truck – but without any locally generated CO_2 emissions.

A battery-electric long-haul truck that can drive up to 500 kilometers without charging the battery. The Mercedes-Benz eActros LongHaul offers a vision of an all-electric battery-powered long-haul truck. It is designed to make regular runs in energy-efficient operation along plannable routes. Plans call for the eActros LongHaul to reach series maturity in 2024. When the battery is fully charged, the truck has a range of approximately 500 kilometers.

1 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.
2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.
3 Minimal charging time from 10 to 80 percent under optimal conditions at DC charging stations with a supply voltage of 400 volts and a current of 300 amperes; the charging time can vary depending on a number of factors, including the ambient and battery temperatures and the use of additional auxiliary consumers such as the heating.
4 Maximum charging capacity at DC charging stations with a supply voltage of 400 volts and a current of 300 amperes; the maximum charging capacity depends on a number of factors, including the ambient and battery temperatures and the battery's state of charge when charging begins.

The eActros is close to series maturity. The eActros, the Mercedes-Benz electric truck for heavy-duty urban distribution haulage, has been on the road for quite some time. Daimler Truck customers have been test-driving this vehicle in Germany and other European countries in intensive real-world operations as part of the eActros "innovation fleet." The first eActros trucks were handed over to customers in 2018. We have used the results of the customers' practical tests to further refine this vehicle, which is due to go into series production in 2021 with a range of significantly more than 200 kilometers. Daimler Trucks will embed the vehicle in a holistic ecosystem that also includes consulting services for answering customers' questions about e-mobility. These services include analyzing routes, reviewing possible subsidies, supporting operational fleet integration, and finding the right charging infrastructure solutions.

The Mercedes-Benz low-floor eEconic truck, which is based on the eActros, will also hit the road in the near future. Series production of the truck is scheduled to begin in 2022. The eEconic will primarily be used in urban areas as a waste collection vehicle for waste disposal facilities. This application area is very well suited for the use of battery-electric trucks because of its comparatively short and fixed routes up to a length of about 100 kilometers as well as the high proportion of stop-and-go operation.

The Daimler Trucks consulting approach addresses the new complexity of drive systems. In the years ahead, truck customers will face the challenge of choosing the drive technology that fits them best from a growing spectrum of possible solutions – depending on their particular sector, segment, and concrete application. The consultants from Daimler Trucks support customers' entry into e-mobility, work with them to develop solutions, and offer a suitable range of products. When these experts offer advice about switching to fleets of electric trucks, their basic approach is to treat two aspects – vehicle range and the charging infrastructure – as a unity. They also take a detailed look at ways to optimize the charging infrastructure and the charging processes themselves.

eCascadia trucks are undergoing practical testing. The medium-duty Freightliner eM2 and the heavy-duty Freightliner eCascadia are also currently undergoing intense practical testing by customers in the United States. Series production of these two trucks is scheduled to start in mid-2022.

The eCanter: A small batch of these trucks is operating emission-free in many major cities. The FUSO eCanter light truck, which is our first all-electric truck to be produced in a small batch, has been on the market and in customers' hands since 2017. More than 200 eCanter trucks are already being used by customers in cities all over the world including New York, Tokyo, Berlin, London, Amsterdam, Paris, Copenhagen, Dublin, and Lisbon.

We're calling for state support for CO_2-neutral trucks. In spite of all the efforts being made by the manufacturers, the purchase prices and total cost of ownership of trucks with electric drives are expected to be higher than those of comparable diesel-powered vehicles even in 2040. As a result, government intervention will be necessary to make locally CO_2-neutral trucks competitive – in other words, to offset their cost-related disadvantages. Only if advantageous conditions prevail will fleet operators consider it worthwhile to invest in CO_2-neutral trucks. What we especially need is a Europe-wide restructuring of the highway toll system with a sliding scale for different CO_2 values that would charge CO_2-neutral vehicles significantly lower tolls. Also needed is a targeted support program for locally CO_2-free road transport for goods, a comprehensive charging and hydrogen infrastructure, and uniform standards for hydrogen transportation and hydrogen refueling.

Continued improvement of the CO_2 balance sheet for buses
We had set ourselves the target of a 20 percent reduction in the fuel consumption of our coaches and city buses over 18 tons for the period 2005 to 2020. We have achieved 90 percent of this target for coaches and 100 percent of the target for city buses. The introduction of the Mercedes-Benz Citaro hybrid also played a major role in the latter achievement. This shows that the electrification of our fleet is an important lever for reducing fuel consumption and CO_2 emissions. Accordingly, we are now focusing our development work at Daimler Buses on electric drive systems. The Daimler Buses Competence Center for Electric Mobility has operated in Mannheim for many years. We are also taking a holistic approach to the development of new technologies. This includes comprehensive consultancy services: Through our eMobility consulting we make it easy for customers to switch to electric city buses, and we also offer the operators a wide range of services.

New technologies make emission-free regular bus operation more practical. The all-electric Mercedes-Benz eCitaro offers cities and transport companies the possibility of converting their fleets to locally emission-free operation. The battery-powered eCitaro is series-produced at the Mannheim location. It is already in regular operation in many European cities. The number of buses delivered so far is now in the three-digit range. Depending on its intended use, the eCitaro can be ordered with as many as 12 battery packs. The bus has a range of around 170 kilometers in typical city driving conditions.

Range figures for all-electric city buses are often difficult to compare because reference values are missing and the figures are often calculated under ideal conditions. We can present data that is more practice-related by orienting ourselves according to the recognized ⓘ SORT2 street test cycle. In our calculations we also include the consumption of auxiliary units such as the air conditioning and heating systems in order to create an overview for customers that is as realistic as possible.

Daimler Truck AG is systematically continuing the development of the eCitaro's technology in order to make it increasingly practical for regular-service local public transport. Starting in 2020, customers have also been able to buy the eCitaro as an articulated bus (eCitaro G) with seating for 145 passengers.

In addition, this electric city bus has been available with solid-state batteries (lithium polymer batteries) since 2020. Since the beginning of 2021, an eCitaro powered by next-generation lithium-ion batteries that further increase its range has also been on the market. Starting in 2022 the plans also call for a battery-powered model with a range extender – a hydrogen-based fuel cell that provides the high-voltage battery with power and increases the range of the bus. Through these measures we will be able to cover almost all of the application areas and regular-service routes in urban transportation.

Our eMobility Consulting team offers consulting and services from a single source. Our eMobility Consulting team helps local public transportation operators make the transition to electric bus fleets. It provides advice regarding the length of bus routes, passenger numbers, energy requirements, the calculation of bus ranges, and charging management, among other aspects. In addition, Daimler Buses offers a tailored electric mobility service package that includes customized solutions and on-site services at customers' maintenance and repair shops under the OMNIplus brand.

Daimler Buses is expanding its range of digital services

We are trying out new charging technologies at our central charging station for the eCitaro. Daimler Buses has established a central charging station for the all-electric eCitaro at the bus production plant in Mannheim. Its purpose is to charge the eCitaro during the production process and before it is delivered to customers. It also gives us an opportunity to test new charging technologies such as charging management, new communication protocols, and new hardware for plug-in charging and roof-mounted current collectors.

Diverse solutions for charging batteries and filling hydrogen tanks ease the transition to alternative drive systems

GRI 203-1

From today's perspective, the future of mobility is electric – and it will be fueled by electricity and hydrogen. Daimler is continuously working to make refueling with electricity and hydrogen more convenient, faster, and more accessible – at home, at the workplace, and in public spaces.

Mercedes me Charge & green charging – greater transparency for customers

Thanks to Mercedes me Charge, customers driving all battery-electric Mercedes EQ models and all plug-in hybrid model variants have access to almost all the available public charging stations, for example in cities and at shopping centers, hotels, and highway service areas. The Mercedes me app shows drivers ahead of time the exact position, current availability, and price at the charging station they have selected. This information is also accessible on the navigation system inside the vehicle, and it is used to calculate a route for all-electric vehicles, including stops for charging. At the charging station, the driver is authenticated via the display in the MBUX multimedia system, the Mercedes me app or the Mercedes me Charge charging card. Everything else is taken care of completely automatically by Mercedes me Charge.

In the life cycle of an electric vehicle, power from renewable energy sources is a significant factor in the effort to avoid CO_2 emissions. This is because about 50 percent of a battery electric-powered vehicle's CO_2 footprint is generated during the use phase – if the charging involves the EU-wide power mix, which still contains a large proportion of electricity from fossil fuels. In order to give its customers the option of recharging their vehicles with green energy at the charging points of the Mercedes me Charge service in the future, Mercedes-Benz will begin the market launch of its ⓘ green charging network in 2021.

Drivers often do not know whether the energy provided by a public charging station is green or comes from non-renewable sources, because this choice is the responsibility of the various charging station operators. To counter this lack of transparency and promote the use of electricity from renewable energy sources, Mercedes-Benz is the first automaker to demand this degree of proof of origin as part of the "greening" of the charging process. This requirement ensures that when electric vehicles are charged, an equivalent amount of electricity from renewable sources is fed into the power grid. In other words, the amount of energy that is charged is balanced out by green electricity after the actual charging process has been completed. In order to produce additional environmental benefits, the proofs of origin have a number of additional features that are prescribed in the form of a green electricity label and aim to promote the creation of more renewable energy facilities.

Mercedes me Charge thus enables Mercedes-Benz to offer its customers the option of charging their vehicles at public charging stations throughout Europe in the certainty that the use of energy from renewable sources is assured.

A fast-charging network brings green energy to Europe's highways

In our joint venture IONITY, we are working together with several other automakers to establish a powerful fast-charging network for electric vehicles in Europe. IONITY aims to safeguard individual electric mobility for long-distance travel by means of a standardized charging network along the most important pan-European highways. Thanks to short charging times, drivers will be able to complete even long journeys in a short amount of time. This will enable electric mobility to be established sooner on the market.

More than 300 IONITY fast-charging stations were in operation at the beginning of 2021, and many more are under construction. Each of these "charging parks" has several charging stations. The charging parks offer drivers access to many charging points, all of which are operated with 100 percent green electricity. The charging network uses the European Combined Charging System (CCS) standard, whose charging capacity of up to 350 kW

per charging point enables correspondingly designed vehicles to charge their batteries much faster than was previously possible. All of the IONITY charging points are integrated into the Mercedes me Charge system.

charge@home — simply charging at home
The new Mercedes-Benz Wallbox Home with a charging capacity of up to 22 kW and permanently attached charging cables enables users to charge their vehicles quickly for personal or private purposes using alternating current at home or at their workplace. This enables users to charge their battery-electric and plug-in hybrid vehicles convieniently. The charging capacity of 22 kW makes charging a vehicle much faster and more reliable than using a household socket would be.

In addition, the customers in the various markets can use smart wallboxes provided by national partners. Moreover, we offer our customers a comprehensive installation service for our range of wallboxes. This service includes on-site checks regarding the installation conditions, in-depth advice, and the installation itself, of course.

How we are promoting a charging infrastructure for our employees
In order to make electric mobility more appealing to our employees, we are continually expanding the charging infrastructure at our own locations. We have set up more than 3,500 charging points since 2013. At the end of 2020, our employees at Daimler locations in more than 50 German cities could take advantage of comprehensive charging solutions. In the charge@Daimler project, we are consolidating our efforts to establish an intelligent charging infrastructure at all Daimler locations in Germany. The project includes equipping parking lots, parking garages, and customer centers, as well as electrifying the in-house development test rigs and testing facilities. Within the company we have also ensured that our charging stations are provided with 100 percent certified green electricity. To make sure this is the case, we use certificates of origin that confirm climate-neutral power generation through the use of renewable energy sources.

We are forging ahead with the expansion of a hydrogen refueling station network
The network of hydrogen refueling stations is also growing. In the joint venture H2 MOBILITY Deutschland, we have been working together with Air Liquide, Linde, OMV, Shell, and Total since 2015 to expand the hydrogen refueling station infrastructure throughout Germany. At the end of 2020 there were 88 publicly accessible hydrogen refueling stations dispensing at a pressure of 700 bar in Germany; seven stations are under construction, and twelve more are in the planning or approval phase. This means that six new stations were added to the H2 MOBILITY network in the reporting year. The partners' long-term goal is to establish a network consisting of as many as 400 hydrogen refueling stations. A special focus will be on the expansion of an infrastructure for heavy-duty truck applications. We are conducting similar infrastructure projects together with additional partners in Europe, the United States, China, and Japan.

At the beginning of December 2020 we signed an agreement with Linde AG concerning the joint development of the next generation of liquid hydrogen refueling technology for fuel cell-powered trucks. Through this partnership we aim to make refueling with hydrogen as simple and practicable as possible.

At the end of the reporting year we also joined forces with the Volvo Group, IVECO, OMV, and Shell in the H2 Accelerate (H2A) initiative. The aim of this initiative is to continue expanding the series production of hydrogen-powered trucks and a Europe-wide CO_2-free hydrogen refueling network.

How we assess the effectiveness of our management approach

GRI 103-3

In our management approach to climate protection, we are pursuing the goals of our "Ambition 2039" in order to live up to our responsibility as signatories to the Paris Agreement on climate protection. We have defined the measures we need to take in order to reach these goals. We use internal and external performance reviews to evaluate how well we are implementing these measures. Internally, the specialist units check their progress several times a year. Externally, we commission an auditing company to audit selected goals and implementation measures. In addition, Mercedes-Benz AG has defined a specific CO_2 reduction pathway in line with the standards of the Science Based Targets Initiative (SBTI). The SBTI has confirmed that this pathway conforms to the Paris Agreement on climate protection.

Furthermore, we conduct dialogs regarding climate protection and we use the knowledge gained to review our management approach and adjust it as needed. For example, we hold in-depth discussions with environmental institutes and NGOs during our annual ↗ "Daimler Sustainability Dialogue". We also conduct talks on the subject of climate protection with our Board of Management throughout the year. In addition, the feedback we continually receive from the government, the public, and our other stakeholders lets us know how the sustainability goals we have set for ourselves are being perceived and evaluated.

For many years now, reaching the CO_2 targets we have set for our fleets has been a criterion for determining the remuneration of our Board of Management. During the reporting year, we continued to differentiate this incentive system and expanded it to cover the entire senior management structure, from the department heads to the very top. We expect this process to motivate the entire Group even more strongly to reach the sustainability goals we have set for ourselves.

On the road to CO_2-neutral production

GRI 103-1

As part of our sustainable business strategy, we have set ourselves the overall goal of making the mobility of the future more sustainable. One important target is the reduction of greenhouse gas emissions. This applies not only to our mobility solutions but also to our own production plants. By pursuing our goal of making our production processes CO_2-neutral over the long term we are fulfilling our voluntary commitment to the Paris Agreement and complying with other national and international climate protection guidelines.

How we make our production more environmentally and climate-friendly

GRI 103-2

Daimler operates 72 production facilities all over the world that are subject to a variety of regional and national laws.

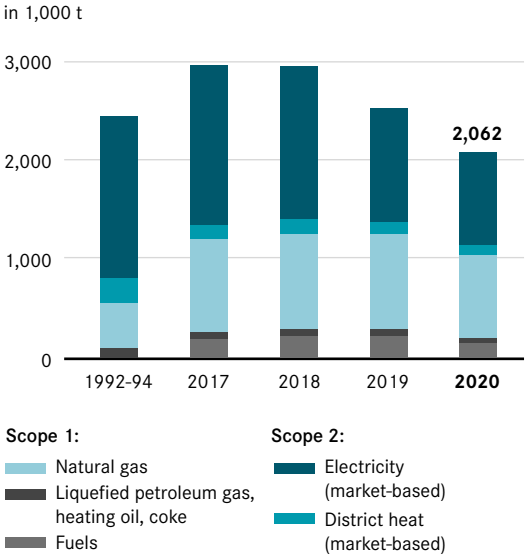
The environmental and climate protection measures at our production locations are controlled and coordinated across business units by three regional committees (Germany/Europe, North and South America, and Asia). These committees enable our experts in these theme fields to create networks linking companies and plants and serve to develop globally accepted standards and procedures. Their mission is to continuously improve our environmental and climate protection performance by developing standards, sharing tried-and-tested as well as innovative processes, and communicating our environmental goals.

Climate protection goals for our plants

We have also set ambitious climate protection goals for our plants.

- **Starting in 2022:** CO_2-neutral production at our own Mercedes-Benz Cars and Vans production plants worldwide and at the Daimler Trucks & Buses production plants in Europe.
- **By 2025:** CO_2-neutral production at all Daimler Trucks North America (DTNA) production plants. The Portland truck manufacturing plant already achieved CO_2-neutral production in 2020.
- **By 2030:** At Mercedes-Benz Cars & Vans we are striving to reduce the CO_2 emissions at our plants (Scope 1 and 2) by 50 percent relative to the reference year 2018 by 2030. This target has been confirmed by the Science Based Targets Initiative.
- **By 2039:** CO_2-neutral production at all of our plants and in all of our business units worldwide.

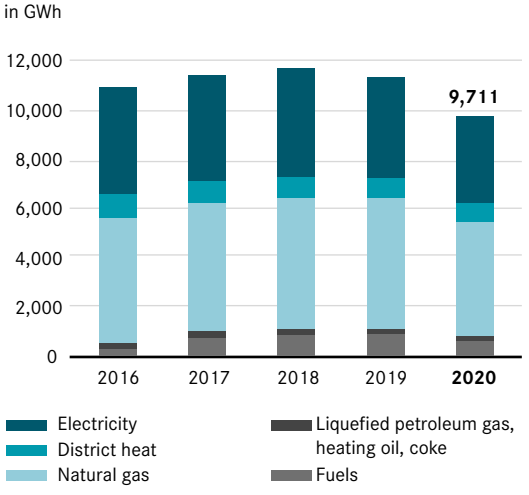
15 | Direct and indirect CO_2 emissions from production



Our goal for the future is CO_2-neutral production

Mercedes-Benz AG is pursuing an ambitious target for its own production plants and the procurement of the energy they consume: Starting in 2022, the operations of Mercedes-Benz AG's own production locations – more than 30 car and van plants around the world – are to be CO_2-neutral. All of the company's bus and truck production locations in Europe are also planned to have CO_2-neutral production operations by the end of 2022 at the latest.

16 | Energy consumption in production



We procure green electricity

In the first step toward CO_2-neutral production, we aim to reduce or – wherever possible – completely eliminate the greenhouse gas emissions that are generated by the plants' vehicle production and energy supply. One important pillar of this project is the establishment of a sustainable energy supply for the plants, for example by purchasing green electricity. Starting in 2022, all the locations of Daimler AG, Mercedes-Benz AG, Daimler Trucks AG, and Daimler Mobility AG in Germany plan to purchase 100 percent of their electricity from renewable energy sources to ensure that it is CO_2-free. An electricity contract for all Daimler locations will ensure that their energy needs will be fully covered at all times by a mix of wind, solar, and hydroelectric power. A large proportion of the green electricity that is purchased must be produced in Germany, for example in wind power stations whose subsidies have expired after 20 years of operation in line with the Renewable Energy Sources Act (EEG). One of the reasons for this stipulation is that it will safeguard the continued operation of six wind farms in northern Germany over the long term.

In the reporting period, many of our production plants were supplied with electricity from renewable sources. Examples include the production of the EQC electric vehicle (combined electrical consumption: 21.5–20.1 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2] at the Mercedes-Benz location in Bremen and battery production at the Deutsche Accumotive GmbH & Co. KG plant in Kamenz, Saxony. The van production plant in Vitoria (Spain), which produces the eVito electric models, also used only green electricity throughout the entire location. Since 2020 it has also manufactured the EQV (combined electrical consumption: 26.4–26.3 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2].

We generate green energy at more and more locations

GRI 302-1

Another major pillar of CO_2-neutral production involves increasing the production of energy from renewable sources at the various locations.

At the Sindelfingen location, Factory 56, Mercedes-Benz' most modern production facility, was commissioned during the reporting year. It too has been supplied with CO_2-neutral energy from the very start. A photovoltaic system installed on the roof of the production hall supplies green electricity for the manufacturing operations below. Factory 56 is also equipped with many sustainability features that reduce its energy consumption. About 40 percent of the roof's surface is covered with plantings, which offset the paved areas at the facility and also retain rainwater.

Factory 56 is supplied with direct current produced by the facility itself. This is the first Mercedes-Benz plant to install such a system; this is a technological milestone for the company. The photovoltaic system on the roof generates direct current and has a total output of more than 5,000 kWp. The power it generates is fed directly into the plant's own direct-current network without any inverters or power losses. As a result, it does not need to be converted into alternating current, which would result in an energy loss of 10 to 15 percent. Fluctuations in the energy supply due to changing weather conditions or times of day are balanced out by a battery storage unit developed by Mercedes-Benz Energy GmbH with a total capacity of 1.4 MWh. In addition to making a measurable contribution to reducing energy consumption and CO_2 emissions, the new technology improves the supply security of the production operations and also stabilizes the local power grid, for example by smoothing the ⓘ peak loads.

Many photovoltaic systems have also been installed at the production locations of Daimler Truck AG worldwide. One example particularly worth mentioning is the plant in Chennai, India, which covered about 16 percent of its energy needs in 2020 via its own photovoltaic system. Photovoltaic systems have also been commissioned in Japan (Kawasaki), the United States (Portland, Cleveland, High Point), Turkey (Istanbul), and Germany (Neu-Ulm, Rastatt, Gaggenau, and Kassel, for example). We are now surveying potential locations worldwide for the installation of additional photovoltaic systems. The continued expansion of our locations' on-site generation of green power is one of the pillars of decarbonization.

In the reporting year, renewable energy accounted for 60 percent of the total electricity consumption at Mercedes-Benz Cars production plants and for 26 percent of the total energy consumption. At Vans, it accounted for 62 percent of the total electricity consumption and 20 percent of the total energy consumption. The Trucks & Buses division achieved a proportion of 45 percent for the total electricity consumption and 18 percent for the total energy consumption.

The heat supply is becoming more sustainable

Mercedes-Benz AG is also using similar levers to boost the sustainability of the plants' heat supply. Among other things, the company is planning to use biogas and biomass as well as geothermal and solar thermal energy. It is also commissioning heat pumps powered by green electricity. At the Bremen plant, for example, CO_2 emissions are being significantly reduced, partly by the use of district heating. During the reporting year the Mercedes-Benz plant in Jawor (Poland) used such technologies for CO_2-neutral engine production and its production of plug-in hybrid batteries, which began this year. The plant will also derive electricity from a wind farm and cover its heat requirements by means of a biomass-pellet heating plant and a boiler that burns biomethane from renewable raw materials. Mercedes-Benz AG is thus one of the first large industrial companies in Poland to have signed contracts with local green power and heat supply utilities. We are currently looking at additional plants and measures.

Unavoidable emissions are offset

To supplement these measures, starting in 2022 Mercedes-Benz AG aims to implement qualified climate protection projects to offset all the CO_2 emissions that so far have been impossible to avoid. In a first step, Daimler Truck AG is taking the same approach for Europe. Unavoidable emissions

1 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.
2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

are produced primarily by our own generation of heat and energy in our existing natural gas-powered cogeneration plants. All of the previous and future offsetting projects comply with the high quality standards of the Clean Development Mechanism (CDM) of the United Nations (UN) and have also been validated according to the Gold Standard. These projects do more than just avoid CO_2 emissions. They also promote sustainable, socially beneficial, and environmentally friendly development in many ways in the countries where the projects operate. Our portfolio also includes projects that promote a renewables-based energy supply – for example, geothermal energy in Indonesia and energy for the reduced-CO_2 purification of drinking water in Uganda.

Daimler is investing over €1 billion in a battery production network

The local production of batteries is an important success factor for Mercedes-Benz AG's electric mobility offensive – a key factor in its ability to meet the global demand for electric vehicles. The company is therefore creating a global battery production network, in which it is investing more than €1 billion.

In the future, the network will consist of locations in Europe, North America, and Asia. The wholly owned Mercedes-Benz subsidiary Accumotive GmbH & Co. KG in Kamenz (Germany) will be playing a special role: As a center of expertise for the global battery production network, it has been producing drive batteries for electric and electrified vehicles from Mercedes-Benz and smart, as well as for vans, since 2012. A second plant that has been built in Kamenz in the meantime was designed to be CO_2-neutral from the very start. Production here includes the battery systems for the EQA (combined electrical consumption: 15.7 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2]. Ever since Accumotive started up production, more than a million batteries based on lithium-ion technology have been manufactured in Kamenz for electric and plug-in hybrid vehicles and 48-volt systems.

Together with its local partner Thonburi Automotive Assembly Plant (TAAP), Mercedes-Benz Cars also built a battery production plant in Bangkok (Thailand) that was commissioned in 2019. Moreover, Mercedes-Benz and the Chinese manufacturing company BAIC built a local battery production plant at the Beijing location. In 2020 our battery factory in Jawor (Poland) also began production. Battery factories are also under construction in the Brühl and Hedelfingen sections of the Mercedes-Benz plant in Untertürkheim (Germany). In the Hedelfingen section, final preparations are now being made for the production of the battery systems of the EQS, which is scheduled to roll off the production line in nearby Sindelfingen in the first half of 2021. Plans also call for the battery systems of the EQE to be produced in Hedelfingen. Yet another factory is being built near the existing Mercedes-Benz plant in Tuscaloosa (Alabama, United States). And a new production plant for batteries is also being planned for the Mercedes-Benz plant in Sindelfingen.

In the future, the Chinese battery cell manufacturer Farasis Energy (Ganzhou) Co., Ltd. (Farasis) will also be an important strategic partner within the Mercedes-Benz AG battery production network. Our strategic partnership with Farasis was reinforced when Daimler bought approximately three percent of shares in the company in July 2020. The agreement with Farasis is another important milestone on Mercedes-Benz AG's road to CO_2 neutrality as part of "Ambition 2039." Key elements of the agreement include the development and industrialization of advanced battery cell technologies, as well as ambitious goals regarding cost competitiveness.

We regard the EU Emission Trading System as an incentive

Industrial facilities that generate CO_2 emissions as a result of the combustion of fossil fuels and whose approved thermal output exceeds 20 MW are required by law to participate in the EU Emission Trading System (EU ETS). The operators of such facilities are required to calculate on an annual basis the CO_2 emissions they generate, report the figures to the responsible authorities, and then submit to the same authorities CO_2 emissions permits in the amount of the reported CO_2 emissions. The company is permitted to generate one ton of CO_2 per CO_2 emission permit (European Union Allowance – EUA).

A total of twelve Daimler Group facilities in Germany, France, Spain, and Hungary are currently subject to this requirement. These facilities generate on their own sites most of the electricity and heat energy they need for their production operations. All of them are highly efficient and utilize natural gas almost exclusively. The Daimler plant in Mannheim also operates a foundry that is subject to the regulations governing the EU ETS.

The permitted total number of EUA certificates within the EU's emissions trading program is limited. A small number of EUA certificates are assigned to industrial plants free of charge. Fewer and fewer free CO_2 emissions permits are issued each year, which means that by the end of the fourth trading period (2021 to 2030) the number of such permits available to the automotive industry and many other sectors will have been reduced to zero. A large portion of the CO_2 emissions permits that are needed must therefore be acquired at a cost via EUA auctions, the emission certificate market, or direct trading. At Daimler, an in-house committee consisting of experts from various departments defines the procurement strategy and the risk management for the CO_2 emissions permits needed by the Group.

More than half of the CO_2 emissions generated at our European production locations are currently covered by emissions trading activities. We are trying to further reduce our CO_2 emissions by implementing projects to increase energy efficiency and expanding the capacity of systems that generate heat and electricity from renewable sources.

1 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.
2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

We have also prepared ourselves for the fuel emissions trade in Germany

Since the beginning of 2021, Germany has also had a legally prescribed fuel emissions trading process that complements the European emissions trading scheme. The new Fuel Emissions Trading Act (BEHG) has introduced CO_2 pricing as part of a national emissions trading process for amounts that are not already subject to the EU Emissions Trading Scheme (EU ETS). The law applies to the heating and transportation sectors in particular. This means that we must acquire certificates for the fossil energy carriers we use that are not subject to the EU ETS.

In order to adapt to this new legislation, Daimler informed the locations and the responsible in-house managers about the legal requirements and the new tasks connected with them. In order to avoid double burdens arising from the European and the national emissions trade, we need to prove that a plant is already subject to the EU ETS, for example. Together with our fuel suppliers, we have therefore adapted our invoicing procedures and installed meters to provide the corresponding verification if it is needed. We have also implemented the corresponding processes for trading these certificates at Daimler.

Transport logistics are helping to protect the climate

Our global transport logistics operations currently serve 75 manufacturing plants in around 30 countries and about 8,500 retailers in almost every part of the world. We transported around 2.7 million vehicles worldwide in 2020. In addition, almost 4.5 million tons of production materials were transported within Europe in the first half of 2020 alone. Our global transport volume amounted to around 350,000 standard containers of sea freight and about 120,000 tons of air freight. The measures taken against the global covid-19 pandemic caused a 15 percent decrease in this volume relative to 2019.

We are working hard to optimize our logistics network in order to reduce the associated CO_2 emissions. Our main goal is to optimally connect transportation hubs with one another so as to reduce the distances traveled and utilize capacity more efficiently. Innovative transportation concepts and new modes of transport also play a major role here.

We select logistics concepts not only on the basis of their costs, duration, and transport quality, but also according to their CO_2 emissions. When selecting providers of logistics services, we also take sustainability criteria into account – ranging from environmental certificates and the use of environmentally compatible equipment to the utilization of low-emission trucks that meet the latest Euro emissions standards.

Mercedes-Benz Cars is continually working to optimize its global logistics network. In particular, the company is steadily increasing the volumes it transports via the railroad network and focusing on sustainable and digitalized innovations. In its implementation efforts, Mercedes-Benz Cars is now taking the next step toward CO_2-neutral mobility: At the beginning of 2020, Mercedes-Benz cooperated with its logistics partner DB Cargo to switch the transport logistics to a CO_2-free energy supply. From now on, the production material for the Mercedes-Benz car plants in Germany and the plant in Kecskemét (Hungary) will be transported in trains powered by green electricity. The volume of these rail shipments is the equivalent of about 270 truckloads per day, which do not need to be transported by road.

The green electricity that is used for rail shipments in Germany and Austria is supplied exclusively by local sources of renewable energy. Today it is mainly generated by hydroelectric power plants.

In addition to the focus on reducing greenhouse gas emissions, activities to reduce traffic volume, waste generation, and energy demand were also pursued.

In this connection we also launched a pilot project for reducing the greenhouse gases generated by local transportation at the production locations. The first plant to participate was that in Kecskemét. Starting in May 2020, a fleet of seven Mercedes-Benz Actros trucks has been using only an alternative fuel (ⓘ HVO diesel) as they complete their seven daily rounds of up to 100 deliveries. As a result, the plant was already able to reduce its CO_2 footprint by at least 58 tons (this corresponds to approximately the amount of emissions that would have been generated by a megatrailer driving 15 times the distance between Madrid and Moscow using conventional diesel fuel).

The aim of this pilot project is to let the findings from the test operations flow into the CO_2 reduction strategy of other plants.

How we assess the effectiveness of our management approach

GRI 103-3

On the road to CO_2-neutral production, we have already achieved success in a number of areas. In 2019 we already reached the long-term CO_2 reduction targets we had wanted our production operations to reach by 2020. In 2020 Mercedes-Benz AG reduced its CO_2 emissions by 18 percent relative to the previous year partly thanks to a variety of efficiency-boosting measures to decrease greenhouse gas emissions in production processes. These are systematically documented in a Group database that is used to control progress toward Group-wide goals. Greenhouse gas emissions were also reduced by 20 percent at Trucks & Buses.

Mercedes-Benz AG and Daimler Truck AG have set new future goals for themselves as part of their “Ambition 2039” and as an expression of their commitment to the Paris Agreement on climate protection.

Climate protection goals for our plants

We use internal and external tools to monitor the progress we are making toward the climate protection goals we have set for our production plants. We use the results of our reviews to adapt and refine our climate protection measures. Mercedes-Benz AG and Daimler Truck AG have defined the parameters for in-house reviews, and they monitor these parameters by means of a scorecard. We have commissioned an auditing company to conduct the external review. This company annually evaluates a selected number of our corporate goals and their implementation.

17 | CO_2 emissions from energy consumption (in 1,000 t)*

GRI 305-1/-2

	2016	2017	2018	2019	2020
CO_2 direct (Scope 1)	1,056	1,192	1,247	1,239	**1,027**
CO_2 indirect (Scope 2) - market-based	1,882	1,763	1,687	1,276	**1,035**
CO_2 indirect (Scope 2) - location-based	2,141	2,041	1,985	1,706	**1,492**
Total - market-based	**2,938**	**2,955**	**2,934**	**2,516**	**2,062**
Total - location-based	**3,197**	**3,233**	**3,232**	**2,946**	**2,519**

* Since 2016, the "market-based" and "location-based" accounting approaches have been implemented in accordance with GHG Protocol Scope 2 Guidance. Since then, the market-based approach has been the standard accounting approach. The historical data for 2006–2015 were calculated using a method similar to the location-based approach.

18 | Specific CO_2 emissions (in kg/vehicle)*

GRI 305-1/-2

	2016	2017	2018	2019	2020
Cars – CO_2 direct (Scope 1)	245	250	267	279	**326**
Cars – CO_2 indirect (Scope 2) – market-based**	611	565	562	431	**426**
Total – Cars – Scope 1 & 2	**856**	**815**	**829**	**711**	**752**
Trucks*** – CO_2 direct (Scope 1)	746	663	629	676	**742**
Trucks*** – CO_2 indirect (Scope 2) – market-based**	1,286	1,084	933	834	**954**
Total – Trucks – Scope 1 & 2	**2,032**	**1,747**	**1,561**	**1,510**	**1,696**
Vans – CO_2 direct (Scope 1)	372	340	355	346	**333**
Vans – CO_2 indirect (Scope 2) – market-based**	201	157	196	160	**147**
Total – Vans – Scope 1 & 2	**573**	**497**	**551**	**506**	**479**
Buses – CO_2 direct (Scope 1)	1,408	1,177	977	1,083	**1,471**
Buses – CO_2 indirect (Scope 2) – market-based**	1.421	1,059	948	911	**1,245**
Total – Buses – Scope 1 & 2	**2,829**	**2,236**	**1,924**	**1,994**	**2,716**

* Excluding CO_2 from liquid fuels
** Since 2016, the "market-based" and "location-based" accounting approaches have been implemented in accordance with GHG Protocol Scope 2 Guidance.
*** Reman scopes have no longer been taken into account in the Trucks division since 2020.

Air quality: Better technologies comply with more stringent limits

GRI 103-1

Our corporate responsibility as an automaker includes our efforts to bring individual mobility, climate protection, and air quality into harmony. This is because road traffic still accounts for a considerable share of air pollution, especially in the vicinity of streets and roads. As a result, the air quality in cities is an important focus of our sense of responsibility for the environment. Legislators all over the world have set standards for emissions in order to regulate the emission of harmful substances such as nitrogen oxides (NO_x) and particulates and to reduce air pollution. These emission limit values have become ever more stringent over the past few years. In order to remain below these limit values today and in the future, we are continuously developing our technologies.

In addition to vehicle emissions, we are also paying attention to the airborne emissions of our production plants. Lowering the airborne emissions from our plants is a constant task and a challenge – for our plant and facility planning teams and our daily operations. Volatile organic compounds (VOCs) are especially important in this regard, in particular those produced in our paint shops. Other significant air pollutants include the nitrogen oxide and sulfur oxide emissions from our furnaces and energy generation systems, as well as particulate matter released by the welding smoke exhaust units in our bodyshell areas and by our energy generation systems.

How we plan to improve the air quality in cities

GRI 103-2

Plans call for our new vehicle fleet to no longer have any relevant impact on NO_2 emissions in urban areas by 2025. Another one of our aims is to forge ahead with the development of new measures for reducing particulate emissions.

New diesel engines comply with stricter limit values

A reduction of NO_x emissions is made possible by an innovative overall package consisting of the engine and the exhaust gas aftertreatment system. This package is being continuously enhanced and has been systematically launched on the market in the new engine generation encompassing the OM 654 and 656. The company has invested approximately €3 billion in development and production for this purpose. Vehicles equipped with the new engines also generate low NO_x emissions in real driving operation. On many journeys using the ⓘ Real Driving Emissions (RDE) measuring process, they actually record values that are significantly lower than the current laboratory threshold limit of 80 milligrams per kilometer. Vehicles equipped with the latest generation of diesel engines achieve average NO_x values of around 20 to 30 milligrams per kilometer in long-term operation over many thousands of kilometers under RDE conditions.

Updating the fleet with new diesel vehicles certified according to the ⓘ Euro 6d-TEMP or Euro 6d standards is a very effective measure to further reduce NO_x emissions in road traffic. At Mercedes-Benz Cars, the entire new car fleet for Europe has been certified according to the Euro 6d-TEMP standard or better since June 2019 and according to Euro 6d since the fall of 2020. This was made possible by the expanded exhaust gas aftertreatment system using an additional ⓘ underfloor SCR catalytic converter, as well as other measures.

We are implementing a plan of concrete measures

In addition to the previously mentioned introduction of vehicles that fulfill the more stringent emissions limit values as part of the RDE requirements, we are implementing a series of additional measures to further improve air quality.

A software update that reduces nitrogen oxide emissions
Overall, Daimler is developing software updates for almost the entire fleet of Euro 6b and Euro 5 diesel vehicles in Europe. These updates reduce the nitrogen oxide emissions of the vehicles in real driving operation by 25 to 30 percent on average.

As early as 2017, Daimler announced that it would offer voluntary service measures that include software updates for several million diesel vehicles in Europe. Daimler has also 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.

The recalls at the order of the KBA apply to a number of vehicle models (cars and vans) that comply with the Euro 6b or Euro 5 emission standards. The voluntary service measure for vehicles that are not included in the recall is continuing as planned.

We are promoting hardware retrofitting in priority regions
In the previously defined priority regions, we are participating in a hardware retrofit program for diesel vehicles that was initiated by the German federal government. Specifically, Daimler has agreed to provide a financial subsidy of up to €3,000 (gross) per vehicle for hardware retrofitting if certain conditions are met. The hardware retrofitting must be developed and offered by a third-party supplier and approved by the German Federal Motor Transport Authority (KBA). In the summer of 2019, the KBA approved retrofitting solutions for various vehicle models. The retrofitted vehicles must comply with the NO_x limit value of 270 mg/km in real driving operation under specific conditions. The aim is to guarantee a significant decrease of the retrofitted vehicles' NO_x emissions in permanent operation.

To make it as easy and efficient as possible for our customers to apply for the Daimler grant, we have set up a ↗ special website for this purpose. Interested parties visit this website in order to find out whether they fulfill the precise requirements for receiving the grant. Customers can also use this website to request payment of the grant after the approved retrofit hardware has been installed.

We use local concepts to help improve air quality

In addition to drive systems with lower levels of pollutants, intelligent mobility and logistics concepts can help to improve air quality in cities. We have launched a number of local measures in this area on our own initiative.

We consolidated our various concepts and measures for mobility management within the Group by forming the f.l.o.w. initiative. f.l.o.w. is a German acronym for “Fortbewegung, Lebensweise, Ökologie und Wirtschaft” (mobility, lifestyle, ecology, and economy). Through this initiative we are supporting our own employees as they look for the most suitable mode of transportation for getting to their workplace, depending on the situation and the transportation task. The Stuttgart region, where we have about 80,000 employees, is playing a special role in this effort. To ensure that they can get to work in as climate-friendly a way as possible, we are subsidizing their use of public transport, such as commuter trains, streetcars, and buses. Because this reduces the number of kilometers they drive, they are helping to reduce pollutant and CO_2 emissions and ensuring a smoother flow of traffic within cities.

Corporate mobility management: How we are making our employees’ mobility more sustainable

We also want to improve our ability to assess how road traffic affects air quality. For this reason we are observing and modeling the development of urban air quality at various measuring stations in Germany. One of the measuring stations we are focusing on is located at Am Neckartor in Stuttgart.

New processes reduce solvent emissions in production

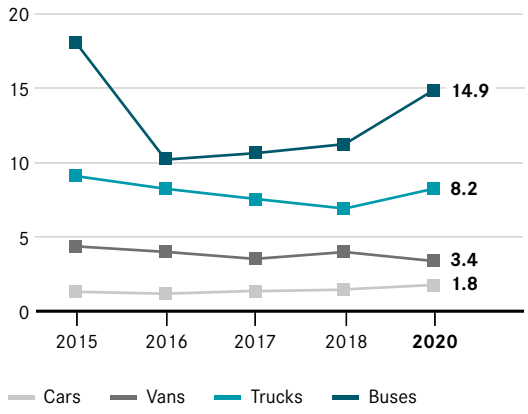
Our ambition is to be best-in-class when it comes to reducing production-related VOC emissions. These are organic hydrocarbon compounds that are highly volatile – in other words, they easily pass from the liquid to the gaseous phase – and this can be harmful to people’s health. In automobile production they are released above all in the vehicle painting process. Different countries use a variety of methods to define and record VOCs; as a result, it is difficult to achieve uniform worldwide documentation. Moreover, the documentation of these emissions must comply with various legislative limit value specifications.

One example of our efforts to reduce our VOC emissions is a public-law contract between our Sindelfingen plant and the City of Sindelfingen. According to the contract, the emissions of the painted surface of a vehicle may not exceed 20 grams per square meter. Measurements show that the actually released emissions in our local plant are much lower than this limit.

We are continually optimizing our existing exhaust air purification systems and developing new technologies.

19 | Specific solvent emissions (VOCs) per vehicle

in kg/vehicle



For example, since 2019 we have been using the innovative painting process “Eco Paint” (EP-T) for trucks. This is an environmentally friendly process that we are now using all over the world to paint truck cabs. For one thing, we are working with new paint materials in the EP-T process. Solids make up about 80 percent of the weight of these materials, and as a result there is a low percentage of solvents, which mostly consist of VOCs. In addition, we use an integrated wet-in-wet process to apply the filler and the topcoat. In this process, the second coat of paint is directly applied on top of the previous coat while it is still wet. This shortens the airing time, during which the solvents can evaporate out of the paint. We have also installed a facility for the energy-efficient and resource-conserving dry separation of the spray mist that is produced in the painting process. By this means we can decrease solvent emissions by as much as 60 percent compared to the conventional painting process. At the same time, we are saving energy and reducing CO_2 emissions by more than 50 percent.

We ensure clean and low-allergen air in vehicle interiors

Clean air and allergy-tested surfaces in vehicle interiors are very important for the safety and comfort of the occupants. As early as the model development stage, we therefore make sure that emissions in the interior are reduced to a minimum and that allergens are avoided. We also use highly efficient filters in the air conditioning system to screen out allergens. Since 2016, many of our car model series have borne the seal of quality of ECARF, the European Centre for Allergy Research Foundation, for their interiors. The ECARF seal is awarded to products whose anti-allergenic properties have been demonstrated in scientific studies.

The following measures are also helping to reduce interior emissions and allergenic substances in our vehicles:

- Further development of the Daimler-Benz delivery specifications with regard to emissions and odors in vehicle interiors (including limit values for suppliers)
- Further development of the materials and manufacturing processes used for interior components
- Monitoring of interior emissions by means of measurements in the Daimler vehicle testing chamber

The emissions laboratory in Immendingen begins its operations

Since the fall of 2018 we have been building a completely new emission measurement laboratory at the new Mercedes-Benz AG testing and technology center in Immendingen. During the reporting period we began operations at the emissions laboratory in Immendingen (ELI) step by step. The lab commenced full operation at the beginning of 2021.

In the future we will metrologically test all of our Mercedes-Benz car and van models on roller test rigs at the ELI. In addition to the emissions, we will also test electric parameters such as electricity consumption and vehicle range. The special test rigs can simulate a variety of altitudes (ranging from sea level to 4,000 meters above sea level) as well as extreme climatic conditions (temperatures ranging from -30 to +50 °C). This makes it possible to transfer complex global test procedures from the road to the new technology center. ELI also has several lab and workshop areas that will be used to test On-Board Diagnostics (OBD) systems and prepare for real drive emissions (RDE) test drives with the portable emission measurement system (PEMS).

Civil proceedings regarding diesel emissions: US authorities approve settlement

GRI 307-1

During the reporting year, Daimler AG and its subsidiary Mercedes-Benz USA LLC (MBUSA) took another important step toward legal certainty in connection with various diesel-related proceedings in the United States. In September 2020 the US regulatory authorities approved a settlement of civil and environmental claims. This ended the regulatory proceedings regarding the emission control systems of approximately 250,000 diesel vehicles in the United States.

The US environmental authorities in question are the Environmental Protection Agency (EPA), the State of California Air Resources Board (CARB), the Environment and Natural Resources Division of the Department of Justice (DOJ), the California Attorney General's Office, and United States Customs and Border Protection. Daimler cooperated fully with the US authorities and did not receive any Notice of Violation from the EPA or the CARB during these proceedings. Daimler also agreed with plaintiff attorneys to amicably settle the consumer class action "In re Mercedes-Benz Emissions Litigation," which was pending at the US District Court of New Jersey.

By reaching these agreements, Daimler avoided lengthy litigation and the associated legal and financial risks. As is specified in the settlement agreements, Daimler contests the allegations of the authorities and the claims of the class action and does not admit to any liability to the United States, California, the plaintiffs, or any other party. The settlements conclude the pending civil proceedings against Daimler by the US authorities without establishing whether functionalities in the vehicles are inadmissible defeat devices.

In addition to the payment of civil penalties, the settlement with the US authorities requires Daimler to further strengthen its technical compliance management system (tCMS) and offer servicing measures for affected vehicles. In addition, Daimler will conduct a nationwide emission mitigation program for reducing nitrogen oxide emissions into the environment and provide funding for further projects in California.

Daimler has made sufficient provision to cover the expected total costs of the settlements. For the settlements with the US authorities, Daimler expects costs of about US$1.5 billion, including the civil penalty and the expected costs of the mitigation measures and payments and the implementation of the service measures. The estimated costs of the settlement of the class action are about US$700 million, including the lawyers' fees and costs that still need to be approved by the court. Daimler estimates that there will be further expenses in the mid-three-digit million euro range to cover claims resulting from the settlements.

The settlements with the authorities did not require the appointment of an external compliance monitor. On the basis of the existing compliance program, Daimler consolidated its existing processes and structures into a Group-wide tCMS in 2016, and since then it has instituted a series of measures to reinforce technical compliance. The necessary resources have been invested and positions have been created in order to carry out these measures. The elements of the tCMS are listed in the Compliance Operating Plan, which is an annex to the settlement agreement with the US government. Daimler's system thus serves as a model for an effective tCMS in the automotive industry. As part of the settlement with the US authorities, Daimler promised to continue developing its present tCMS.

A detailed description of the institutional proceedings related to diesel emissions can be found in the company's risk report production.

↗ **Risk and Opportunity Report, AR 2020**

How we deal with challenges, complaints, and tips

Our technical compliance management system (tCMS) supports our employees in the area of product development, especially regarding complex interpretation issues and unclear legal requirements. In cases of uncertainty, employees can turn to their colleagues and supervisors or to "tCMS multipliers," who are specially trained to deal with technical compliance issues. The certification units and the Technical Compliance section of the Legal Affairs department are also available for this purpose. If an issue is so complex that it cannot be clarified with the help of these points of contact, we also have the tCMS clearing process. In this process, a team of experts consisting of developers, legal advisors, certifiers, and employees from other specialist units examines and processes complex questions regarding technical regulations that are unclear or offer room for interpretation. A committee subsequently evaluates the team's findings and makes a decision.

In connection with the settlement with the US regulatory authorities regarding diesel emissions, Daimler has also set up a process that employees can use to report challenges related to compliance with the settlements' terms and agreements and any violations of these terms and agreements that may arise.

As early as 2006 we established a general whistleblower system in order to ensure that we have a fair and adequate process for investigating reports on incidents that pose a high risk to the company and its employees. This system encourages employees of the Daimler Group and external parties to report any violations of the laws or of our internal regulations.

Working together for a fair partnership: Whistleblower System BPO

How we assess the effectiveness of our management approach

GRI 103-3

We take the pollutant emissions of our vehicles into consideration at an early stage of the development process, and we embed the corresponding specifications in the documentation of this process. These specifications define particular characteristics and target values – for pollutant emissions, for example – that must be achieved for every vehicle model and every engine variant. We also use these target values to assess the milestones we reach in the course of product development. To do so, we compare the current status of a project with the target values and take corrective measures if necessary.

We regularly check compliance with the internal and external environmental protection requirements and the plants' reporting obligations as part of the environmental management activities at our production facilities. Among other things, we check to see whether the plants' operations are in compliance with the laws regarding airborne emissions. In the event of any incidents relevant to environmental protection occurring, we document them and take all necessary measures to eliminate possible damage. The effectiveness of the management systems is monitored by external auditors as part of the certification process (ISO 14001, EMAS) and by internal environmental risk assessments (environmental due diligence process).

20 | Air emissions (in t)

GRI 305-7

	2016	2017	2018	2019	**2020**
Solvents (VOC)	7,971	7,735	7,929	7,506	**6,483**
Sulfur dioxide (SO_2)	33	57	61	60	**40**
Carbon monoxide (CO)	2,843	2,203	2,515	1,962	**1,502**
Oxides of nitrogen (NOx)	1,243	1,185	1,050	1,568	**1,349**
Dust (total)	198	150	182	228	**270**

21 | Specific solvent emissions (VOCs) (in kg/vehicle)

	2016	2017	2018	2019	**2020**
Cars	1.31	1.18	1.37	1.47	**1.77**
Trucks*	9.08	8.23	7.55	6.90	**8.24**
Vans	4.36	3.99	3.52	3.98	**3.37**
Buses	18.04	10.19	10.62	11.23	**14.88**

* Reman scopes have no longer been taken into account in the Trucks division since 2020.

Resource conservation

Resource conservation

Worldwide consumption of resources is growing – with negative consequences for the environment and society. Therefore our goal is to increasingly decouple our consumption of resources from the growth of our production volume. We intend to reduce our use of resources per vehicle. In this way we want to help promote both economic growth and sustainability.

Our plan can only succeed if we systematically conserve resources and continue to close recycling loops. We are therefore taking on responsibility in terms of both products and production. For example, we are increasingly using secondary materials and renewable raw materials in our vehicles and steadily making our processes more efficient. In order to also reduce our energy and water consumption and waste generation, we are working continuously to make our production processes more efficient and more environmentally friendly.

Target	Target horizon	SDGs
Energy consumption per vehicle* – Cars – 43% – Vans – 25%	2030	
Water consumption per vehicle* – Cars – 33% – Vans – 28%	2030	
Waste for disposal per vehicle* – Cars – 43% – Vans – 33%	2030	
Proportion of secondary raw materials per vehicle ** – Cars 40%	2030	

* In production, as compared to the average for 2013/2014
** On average for the Mercedes-Benz car fleet without smart and vans

SPURWECHSEL – We are changing lanes

Our vision is to transform our entire value chain into as closed a loop as possible. One of the ways to do this is to return our production waste and end-of-life materials to the material cycle. In particular, batteries from electric vehicles still contain a great deal of valuable materials at the end of their life cycle. The recycling and reuse of these and many other raw materials is the focus of our current strategic activities and will remain so in the future. It is equally important and necessary to integrate our suppliers even more closely into our processes – for example, through dialogs and clearly defined targets. We are also actively engaged in various initiatives that have set themselves the goal of reducing the resource consumption of important raw-material industries.

Our vehicles: Decoupling resource consumption from growth

GRI 103-1

The global economy is growing, and the demand for mobility is increasing. These trends are accompanied by increased resource consumption that can be detrimental to the environment and society. For example, in many cases the extraction and further processing of primary raw materials is energy-intensive and leads to the emission of pollutants into water, soil, and air. No less important is the fact that the use of natural resources also harbors social risks. A fair distribution of raw materials, secure access to clean drinking water, and observance of human rights in the course of raw material extraction are only a few of the problematic issues.

Today our vehicles mainly consist of materials such as steel, iron, aluminum, and plastic. Even though materials such as steel, iron, and aluminum will probably be available in sufficient quantities in the future, our goal is nonetheless to keep the consumption of the natural resources needed to produce them at a low level. For example, we plan to recycle our aluminum scrap so that we can reuse this material in our vehicles via the material cycle. This will not only conserve valuable resources but also reduce CO_2 emissions, because large amounts of energy are needed for aluminum smelting.

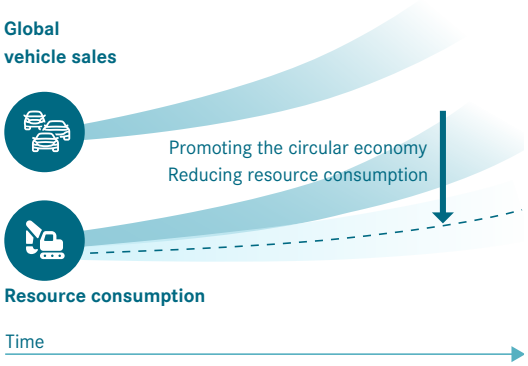
However, the expansion of electric mobility is changing the need for materials for vehicle production. The drive batteries of today's generation of electric vehicles require metals such as lithium, cobalt or nickel. It is not known whether these raw materials will be available in large enough amounts to meet the rising demand in the long run. However, the raw materials built into a battery-electric vehicle return to the raw material cycle only after many years, so newly extracted raw materials are mainly used until then. This creates challenges for supply chains that are dependent on such raw materials. Our goal is therefore to increasingly decouple resource consumption from sales growth. To this end, we are working to close material cycles and make our processes more efficient. This is how we plan to reduce our consumption of raw materials overall.

How we are effectively decreasing resource consumption

GRI 103-2 GRI 301-1

At Daimler, the units that are mainly responsible for resource conservation are vehicle concepts, vehicle development, purchasing, production planning, and production. We make decisions concerning these areas in the specialist committees responsible for the respective model series. These committees consist of the respective subsection representatives and expert groups such as those dealing with specific groups of materials. Corporate management is always involved in fundamental decision-making regarding design concepts, manufacturing

22 | Decoupling



technologies, and the utilization of materials. When making such decisions, the management takes multiple factors into account. These include costs, resource-efficient technologies, the use of alternative materials such as secondary materials and renewable raw materials, and the potential for industrialization. During this process, management examines to what extent the results of development can be transferred to large-scale industrial production, for example with regard to the use of raw materials.

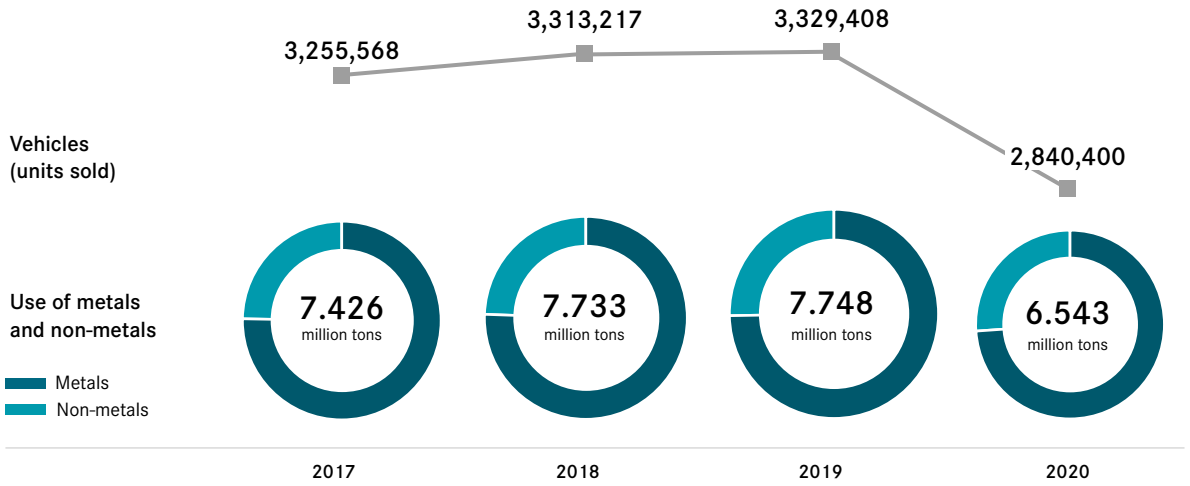
Daimler consumes around 6,5 million tons of raw materials each year to manufacture its products. Some of these substances can be categorized as scarce or critical. We therefore monitor them closely and try to continuously reduce the amount of these materials that is needed per vehicle. To this end, we use the "Design for Environment" approach as early as during the vehicle development stage. We design our vehicles to be as resource-conserving and environmentally friendly as possible during their entire life cycle. The cornerstones of this approach are life cycle assessments, lightweight engineering, the use of recycled materials, and recycling.

Life cycle assessments for creating resource-efficient vehicles

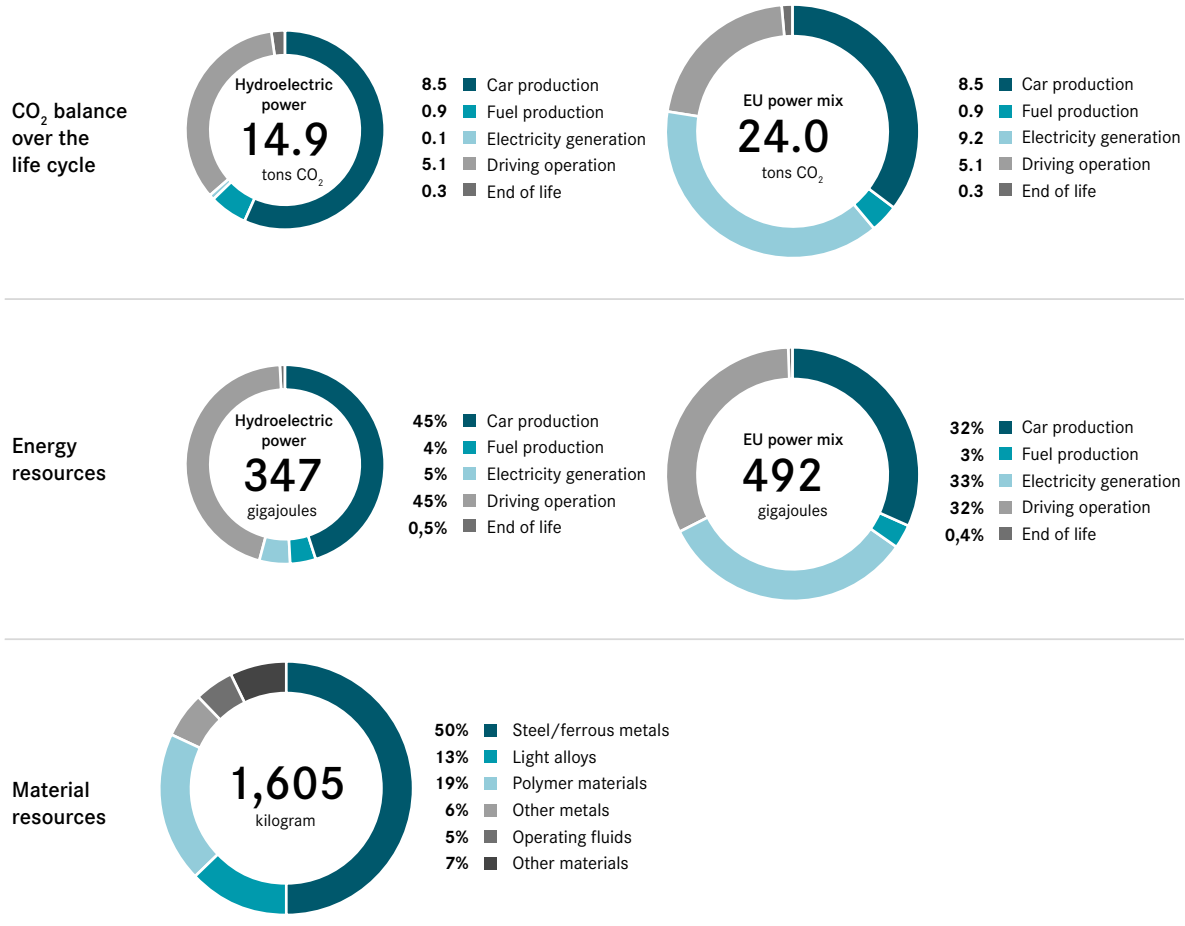
In order to evaluate the environmental compatibility of a vehicle, Daimler carries out life cycle assessments. We systematically examine the vehicle's environmental effects throughout its life cycle – from the extraction of raw materials and vehicle production to product use and recycling. In order to evaluate its resource efficiency, we take a number of additional factors into account, such as the medium-term and long-term availability of raw materials, acceptance by the public, and the vehicle's various social and environmental effects and risks. In the development of our cars, we also use life cycle assessments to evaluate and compare different vehicles, components, and technologies.

23 | Materials — use of metals & non-metals vs. vehicles

GRI 301-1



24 | Life cycle assessment of the A 250 e*



* Combined fuel consumption: 1.6–1.4 l/100 km; combined electrical consumption: 15.7–14.8 kWh/100 km; combined CO_2 emissions: 36–32 g/km. The stated figures are the measured "NEDC CO_2 figures" within the meaning of Art. 2 No. 1 Commission Implementing Regulation (EU) 2017/1153. The fuel consumption figures were calculated on the basis of these figures. The electricity con-sumption was determined on the basis of Commission Reg-ulation (EC) No. 692/2008. A higher figure may apply as the basis for calculating the motor vehicle tax.

The life cycle assessment of the A 250 e[1]

Production phase. The specific drive components of the A 250 e plug-in hybrid lead to the use of more materials and energy in the production process – and thus to higher CO_2 emissions than those of conventional combustion-engine vehicles. However, the materials used are not lost at the end of the vehicle's service life; instead, they can largely be recycled and reused. This also applies to the valuable materials contained in the high-voltage batteries. In total, 95 percent of the A 250 e can be recovered. However, only by looking at the entire life cycle of a vehicle (materials production, vehicle production, driving operation for 160,000 kilometers, and recycling) can we get a realistic picture of its life cycle assessment.

Use phase. The use phase plays the most crucial role in the environmental footprint of the A 250 e. This is where the high efficiency of the electric drivetrain gives the model an advantage. For the analysis of the use phase, Mercedes-Benz examined various sources of energy for charging the high-voltage battery. The A 250 e achieves the highest level of energy efficiency, and the lowest CO_2 emissions, when the battery is charged with renewably generated hydroelectric power.

Analysis of the CO_2 emissions in the individual phases of the life cycle clearly shows that as more and more vehicles are electrified, the focus is shifting toward the production of the high-voltage battery and the generation of the electricity for charging the battery.

Identifying critical raw materials by means of the ESSENZ method

Several types of raw materials that are needed for the production of electric vehicles are associated with certain risks. In order to better assess how critical the use of a raw material is or can become, Daimler's car division teamed up with partners from industry and science in 2015 to conduct the ESSENZ research project. The result has been a holistic approach that our engineers are already following in the early phases of vehicle development. The use of the ESSENZ method is based on the life cycle assessment methodology, which makes it possible to systematically analyze the environmental effects of a vehicle along its entire life cycle. The ESSENZ approach not only examines the geological availability of a raw material but also takes socio-economic factors and social and societal risks into account.

We steadily optimize and refine our drive batteries

Batteries are a key component of electric mobility. At Daimler, experts from a variety of disciplines deal with all aspects of this storage technology, ranging from fundamental research to production maturity.

Daimler has invested in resource-efficient technologies and production processes for batteries for years. We are constantly working to optimize the present-day lithium-ion battery. Here we are pursuing two goals: We want to steadily reduce the proportion of cobalt in our batteries, and we also want to only procure battery cells containing cobalt and lithium from certified extraction. To reach this second goal, Mercedes-Benz Procurement, for example, is now cooperating only with suppliers who extract raw material from certified sources in compliance with the respected "Standard for Responsible Mining" of the Initiative for Responsible Mining Assurance (IRMA).

It is very likely that there will soon be a solution for reducing the proportion of cobalt in lithium-ion battery cells. New technologies are making it possible to change the proportions of nickel, manganese, and cobalt. The use of nickel-rich materials, in which additional nickel is substituted for cobalt, reduces costs and boosts the storage capacity of batteries. Cobalt can also be replaced with special manganese compounds. The advantage of this option is that there is already an effective recycling process for manganese, which has been used for decades for alkaline batteries, for example.

Meanwhile, we are conducting research on next-generation alternative battery systems with the aim of shortening development cycles, expanding ranges by means of improved energy density, and reducing charging times. We also want these battery systems to perform better in terms of sustainability in the future. To promote a holistic approach to the value chain, Mercedes-Benz has established a sustainability partnership with Farasis Energy (Ganzhou) Co., Ltd. Some of the battery cells used in the next generation of vehicles will already be manufactured using electricity obtained exclusively from renewable sources.

We are steadily expanding our research and development activities so that we can develop new generations of batteries. As part of this effort, we are developing our expertise regarding the technological evaluation of materials and battery cells. We are also cooperating with the Chinese company Contemporary Amperex Technology Co. Limited (CATL) to drive the development of current and future battery technologies. CATL is currently working to develop pioneering battery generations that should be utilized in many vehicles in the years ahead.

Using recycled and renewable raw materials

GRI 301-2

The closing of material cycles and the use of renewable raw materials are key measures for the responsible utilization of resources. In order to achieve these goals, we are using resource-efficient technologies and production processes. We are also increasingly using secondary materials and renewable resources in our vehicles. Mercedes-Benz has set itself the target of increasing the share of secondary raw materials in its car fleet by an average of 40 percent by 2030.

We want to increase our transparency in the areas where secondary raw materials are used in our products.

1 see appendix: Labeling

For this purpose we are using environmental certificates that are open to public view. Among other things, these certificates provide information about the vehicle components made of recycled materials and renewable raw materials in each model series.

Recycled plastics can be used in many different ways
We use many components made of recycled materials in our products, depending on the specific vehicle variant and the technical requirements.

One example of this is the all-electric Mercedes-Benz EQC (combined electrical consumption: 21.5-20,1 kWh/100 km; combined CO_2 emissions: 0 g/km)[2,3]. Customers can order this vehicle with high-quality seat cover textiles made of 100 percent recycled PET bottles. In addition, 43 larger components that are mostly made of plastic, such as wheel arch linings and underbody paneling, have been replaced with recycled materials. There is also a multitude of small parts such as pushbuttons, plastic nuts, and cable fasteners. It has thus been possible to manufacture components with a total weight of 36.9 kilograms partly from recycled materials.

In 2020 Daimler entered into a partnership with the bioplastics manufacturer UBQ Materials via the innovation platform STARTUP AUTOBAHN. This startup from Israel recycles household waste and uses it to produce a new material that is 100 percent recycled and 100 percent recyclable. By conducting research on this new resource, Daimler is taking a further step in the direction of a robust circular economy.

This bioplastic could soon be used for the series production of a lightweight load compartment trough. If the results of the additional feasibility studies planned for 2021 permit, this CO_2-neutral recyclate could also be used for the prototype and series production of bumpers for buses, cable ducts, and pallet boxes.

The use of recycled materials is also receiving increased political support. For example, the European Commission has supplemented the European End-of-Life Vehicles Directive 2000/53/EC with the European plastics strategy, which requires manufacturers to use more recycled materials in vehicle production. Since 2000, our requirement specifications for new Mercedes-Benz cars have stipulated a minimum proportion of components containing recycled materials. This proportion varies depending on the vehicle's model and series.

To promote the use of recycled materials, Mercedes-Benz is encouraging its experts to share information with one another and with suppliers of automobile components and recyclates. In addition to regularly occurring workshops and technology forums, we also organized a lecture series about plastic recyclates in 2020. During these meetings, the suppliers can also gather into small groups to discuss technical issues, present newly developed recycled materials, and report on successful switches to components made of recyclates.

Using renewable raw materials
Renewable raw materials also offer us many advantages. By using them we can reduce the weight of components. Moreover, their CO_2 balance is almost neutral when their energy is recovered, because only as much CO_2 is released as was absorbed by the plant during its growth. Last but not least, renewable raw materials help to reduce the consumption of fossil resources. We utilize a broad range of renewable raw materials such as hemp, kenaf, wool, paper, and natural rubber.

The new Mercedes-Benz S-Class shows how many components can be partially manufactured from renewable raw materials. For the interior of the S-Class we developed a microsandwich material that is reinforced with natural fibers in many components. It is used in the map pockets in the door trims, in the tensioning part of seat backrests, and for the rear shelf. This material weighs 40 percent less than a comparable conventional component. The resulting weight reduction leads to a decreased need for primary energy along the vehicle's path from production to use and finally to the end-of-life phase. Because of its breaking strength, the material based on natural fibers also helps to make vehicles safer.

Through effective lightweight construction we make our vehicles more economical and more efficient

Intelligent lightweight construction can reduce vehicle weight without compromising our high standards of safety and comfort. This means that we need to select the right materials. Component design and manufacturing technology also play an important role. At 35 percent, the bodyshell accounts for the biggest share of the total weight of a car with a conventional drive system. This is followed by the suspension at 25 percent, the comfort and safety equipment at 20 percent, and the engine and transmission at 20 percent. Thus the most effective approach is to focus on the vehicle bodyshell.

In the area of lightweight body construction, Mercedes-Benz is increasingly working with aluminum alloys for exposed automotive paneling (hood, fenders, roof, trunk lid) and reinforcement components (hood lining, roof reinforcement). Aluminum is not only lightweight but can also be recycled many times without loss of quality. Its recycling process requires only about five percent of the energy that would be needed to produce new aluminum.

Thanks to a holistic lightweight construction concept, the new Mercedes-Benz S-Class is up to 65 kilograms lighter than its predecessor model. The body is produced by means of an aluminum-steel hybrid construction process. Mercedes-Benz has significantly increased the percentage of aluminum in this process compared to that of the predecessor model; all of the components, including the main floor, now consist of aluminum. By comparison with the predecessor model series, the body of the new S-Class is 30 kilograms lighter. The brand has also paid particular attention to the topic of unsprung mass.

2 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.
3 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

Today weight-optimized and aerodynamic aluminum rims that can further reduce fuel consumption are available for the S-Class as a result.

The value-added chain is becoming a value-added cycle

GRI 301-3

The overarching goal of the circular economy is to maintain the value of products, components, and materials as long as possible. This basic principle has also been embedded in EU legislation since 2015. Daimler too is increasingly depending on measures that promote the circular economy. We subscribe to the following ⓘ hierarchy of waste: The top goal is to avoid waste. In order to reach this goal, we are working to extend the service life of all vehicle components – for example, by using especially long-lasting materials. We are also using resources efficiently and reducing the use of raw materials that are only available in limited amounts. Only then do we move down the hierarchy of waste to measures for reusing various components and parts and for recovering materials by means of recycling.

Reuse – new life for used parts

In 1996 we set up the Mercedes-Benz Used Parts Center (MB GTC), a Group-owned specialist business that disassembles more than 5,000 vehicles per year. The sale of the parts that are disassembled there to repair shops and final customers means that we are reusing these parts to the greatest possible extent and guaranteeing a range of products for repairs that reflect a vehicle's current value.

However, the stringent quality checks sometimes make it impossible to reuse a component as a replacement part. The logical next goal is the recovery of important materials. For example, every cable contains copper. Plug connectors salvaged from electronic scrap are gold-plated. Platinum and rhodium can be extracted from catalytic converters. In addition to precious metals, many components also contain aluminum and iron scrap, glass (panes), and plastic. Even used tires can be reused as ⓘ aggregate in road construction.

These are only a few examples, but they show what a major role the MB GTC is playing as an integral part of the recycling process chain that keeps raw materials in circulation.

Remanufacturing – value retention for prolonging life

In remanufacturing, Mercedes-Benz reconditions used vehicle parts for subsequent reuse them. In the process, the used Mercedes-Benz genuine parts for cars, vans, and trucks are reconditioned in such a way that their functionality, safety, and quality correspond to those of a new component. The vehicle parts are only recycled when they can no longer be reused in a vehicle.

Remanufacturing makes it possible to avoid waste, conserve raw materials, and reduce energy consumption. A calculation certified by TÜV SÜD shows that remanufacturing a Type OM 906 diesel engine saves about 527 kilograms of carbon dioxide and 7,248 megajoules (2,013 kWh) of energy compared to a new part.

Re-utilization of high-voltage batteries

The lithium-ion battery is the centerpiece of each electric vehicle. However, its production requires a great deal of energy. Besides, lithium-ion batteries contain a number of rare raw materials such as lithium or cobalt. For this reason, we strive to reuse batteries before they are recycled. Reprocessing a used battery consumes much less energy and raw materials than producing a new one. And every reprocessed battery reduces the volume of waste, because it forestalls the production of a new battery to meet the demand for replacement parts or other applications.

Defective batteries are reprocessed for reuse in vehicles. Because of our high quality standards, this is the fate of most of the batteries that are sent to our central reprocessing plant in Mannheim. After being reprocessed in line with the requirements of series production, the batteries are closely inspected to ensure that their function and quality are the same as those of a new part.

Batteries that are no longer suitable for reuse in a vehicle – for example, because their residual capacity is too low – can be reprocessed for use in a stationary energy storage unit. This is how we improve the environmental balance of electric vehicles while also contributing to the establishment of a sustainable energy industry. These energy storage systems can offset fluctuations in electricity production from renewable sources, smooth out ⓘ load peaks, and serve as backup power sources for an uninterrupted energy supply. Many energy storage systems of this kind, with a total capacity of more than 95 MWh, are already operating in Germany.

Mercedes-Benz reached a further milestone in the reporting year when it developed the "Mercedes-Benz energy storage unit." This is a container storage system that makes it possible to integrate an unchanged vehicle battery into an energy storage environment. Such a stationary energy storage unit with a capacity of 1,400 kWh is already in operation at the newly commissioned Mercedes-Benz Factory 56. It can also store solar energy and release it at night or on overcast days.

Moreover, a partnership agreement for the use of stationary energy storage systems for hydroelectric power plants was signed in December 2020 by Mercedes-Benz Energy GmbH, which is a subsidiary of Mercedes-Benz AG, and ANDRITZ Hydro GmbH, a subsidiary of the international technology group ANDRITZ AG.

Recycling – keeping the end in mind from the very start

GRI 306-4

When we develop products, we keep the circular economy in mind from the very start, and we prepare a recycling concept for each new vehicle model. This process includes analyzing all the components and materials to find out how suitable they are for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85 percent recyclable in accordance with ISO 22 628. Moreover, the European End-of-Life Vehicles Directive 2000/53/EC specifies that 95 percent of the material in passenger cars and vans with a gross vehicle weight of up to 3.5 tons has to be capable of being reused or recovered.

Mercedes-Benz recycles drive batteries

Only after it is no longer possible to reuse a battery it is recycled in order to recover valuable raw materials.

Today we are already able to go far beyond the recycling quotas that are prescribed for drive batteries by law. The battery housings, the cables, and the busbars can be recycled without any difficulty. Recycling the high-voltage battery modules, where most of the rare materials are embedded, is somewhat more complicated. The processes already exist, but they still need to be refined so that the valuable raw materials inside the battery cells can be recovered in as pure a state as possible.

Mercedes-Benz is actively involved in the research and development of new recycling technologies for our vehicle batteries, and we promote their establishment on the market. To this end, Mercedes-Benz is cooperating with specialized partner companies to further optimize the recycling process. In addition, Mercedes-Benz is participating in funding and research projects and forging ahead with the development of innovative technologies for the environmentally friendly and economical reuse of valuable raw materials. Our goal is to further increase our recycling quotas.

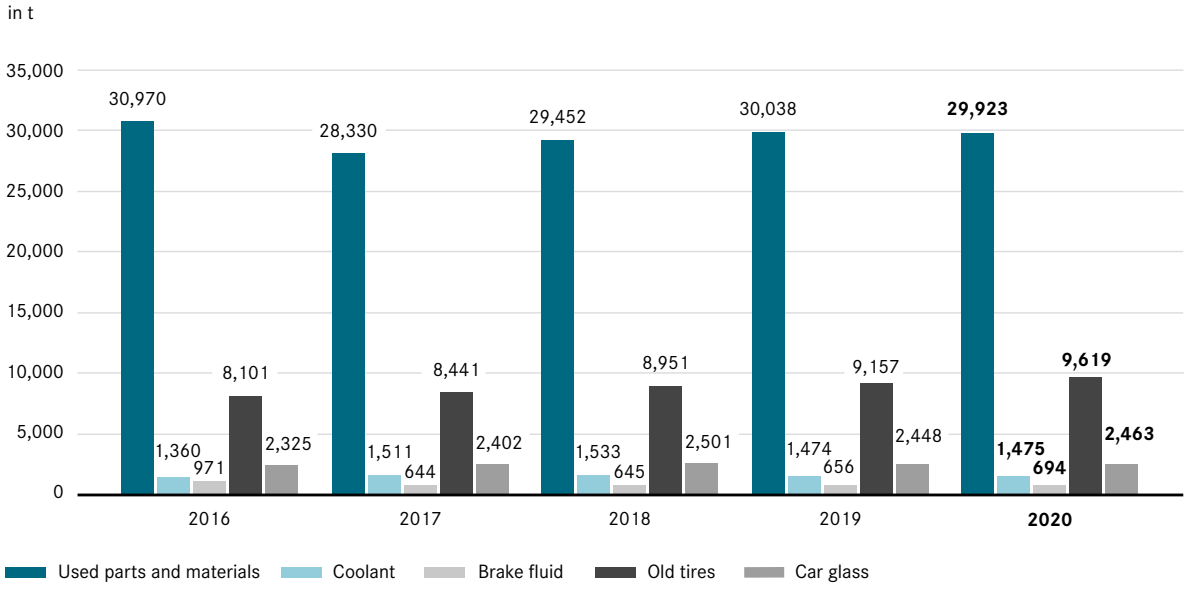
The idea behind these efforts is that we can use the old batteries of today as a “mine” for the batteries of tomorrow. In the future we will cover part of the need for raw materials for new battery systems with by means of recycling.

Professional waste disposal

GRI 306-5

Waste material created during the maintenance or repair of our vehicles is collected and recycled or professionally disposed of via MeRSy – the Mercedes-Benz Recycling System, our system for the management and disposal of workshop waste. This material consists of vehicle-specific used parts and waste such as tires, packaging materials, catalytic converters, coolant and brake fluids, as well as plastics, rubber parts, pyrotechnical used parts, and much more. In 2020, a total of 29,923 tons of old parts and materials were collected in Germany and recycled. Around 1,475 tons of coolant and 694 tons of brake fluid, as well as 9,619 tons of old tires and 2,463 tons of car glass, were recycled.

25 | Removal of workshop waste with MeRSy



How we assess the effectiveness of our management approach

GRI 103-3

In our management approach to resource conservation, we are pursuing the aim of increasingly decoupling resource consumption from sales growth. To this end, we have defined the guidelines in our vehicle specifications and introduced the corresponding measures. The goals and guidelines are being observed within the framework of the Mercedes-Benz development system. Mercedes-Benz is currently cooperating with the development unit and with procurement to optimize the related processes and the data quality.

We are minimizing the environmental footprint of our manufacturing operations

GRI 103-1

Not only the use of resources in the vehicle but also the consumption of resources in production plays an important role in the environmental compatibility of our vehicles. For this reason, we are continuously working to make production more efficient and more environmentally-friendly. In order to minimize the environmental footprint of our production processes, we want to use less water, energy, and raw materials.

One important lever for reaching this goal is our measures to increase our energy efficiency. By becoming more energy-efficient we decrease our energy consumption and conserve resources while reducing the CO_2 emissions of our production processes. We also want to reduce our water consumption – for example, by closing water cycles. Conserving resources also means reducing waste volumes. Accordingly, we are intensifying our efforts to use lower volumes of raw materials and other substances at our plants.

How we manage resource utilization throughout the Group

GRI 103-2 GRI 303-1/-2

Our commitment to environmental protection is an integral component of our business strategies. For this reason, we have established environmental management systems at our production plants. By means of these systems we aim to achieve efficient, high-quality production processes that are also environmentally compatible, safe, and in conformity with the law. The individual divisions are likewise responsible for the conservative use of resources. They too set themselves targets in this area and report to the management boards of their Group companies, who in return report to the Group's Board of Management. This procedure is the result of our system of targets, which was adopted by the Board of Management as a component of our sustainable business strategy.

We are pursuing these goals

We have set ourselves the strategic corporate objective of continuously reducing resource consumption per vehicle and increasing the efficiency of resource use at the individual divisions. More specifically, we have set ourselves targets for water and energy consumption as well as for the volume of waste for disposal per vehicle.

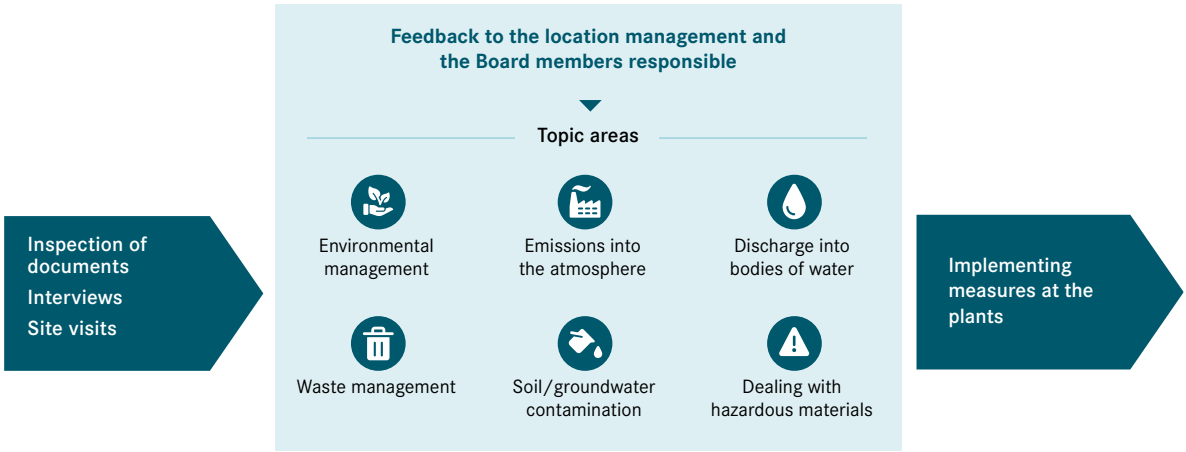
Resource conservation: targets

Identifying, assessing, and minimizing potential environmental risks

GRI 303-1

We have introduced environmental management systems at all of our production locations. These systems ensure clear areas of responsibility as well as transparent and standardized compliance with internal and external environmental protection regulations. We also ensure comprehensive reporting at our worldwide production facilities. Within the framework of our management systems, we monitor aspects such as their legally compliant operation in the areas of waste management, airborne emissions, wastewater discharge, soil/groundwater contamination, and the handling of environmentally hazardous substances. In the event of any relevant environment-related incidents, we document them and take necessary measures to eliminate possible shortcomings.

26 | Environmental risk assessment



The effectiveness of the management systems is monitored by external auditors as part of the certification process (ISO 14001, EMAS), as well by internal environmental risk assessments (environmental due diligence process).

As early as 1999, we developed an environmental due diligence method in order to ensure transparency regarding potential environmental risks at our production locations, assess these risks, and take the necessary preventive measures. Since then we have employed this method throughout the Group – both internally at all production locations in which the Group has a majority interest, and externally in connection with our planned mergers and acquisitions. We also have a standardized process in place for inspecting and assessing the Group's consolidated production sites every five years. The results of this process are reported to the plants and the respective executive management so that any necessary optimizations can be carried out.

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 our environmental risk assessments is to ensure that we meet high environmental standards at all of our production locations around the world.

Between 2000 and 2019 we concluded four risk assessments at each production location of Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. The fifth round of environmental risk assessments began in 2019 and will continue until 2023.

The location risk assessments that had been scheduled for 2020 could not be carried out as planned because of the covid-19 pandemic and the associated travel restrictions and lockdown regulations. In order to return to the five-year cycle in the future, we will carry out the skipped assessments in the years ahead. However, we are continuing the internal reporting process, as well as our controlling of the degree of implementation of the improvement measures, as usual.

Managing environmental and occupational safety risks at the local level

Environmental protection: We offer our employees regular training sessions

We conduct training sessions on environmental protection at all of our locations. The important content of our training courses includes waste and hazardous materials management, water pollution control, wastewater treatment, emergency management in case of environmentally relevant malfunctions, and the planning of plants and workplaces in accordance with environmental protection principles.

The frequency and the content of our training sessions for employees depend in part on legal requirements. These requirements can differ depending on the location. In Germany, the corporate function "Sustainability, Group Environmental Protection & Energy Management" offers annual training courses for qualifying the officers responsible for air and water pollution control and waste management as required by German law.

Boosting energy efficiency, reducing energy consumption

GRI 302-3/-4/-5

In order to shrink the environmental footprint of our production processes, we aim to boost our energy efficiency. Since 2012, energy management systems conforming to DIN EN ISO 50001 have been introduced and regularly certified at the German production locations of Mercedes-Benz AG and Daimler Truck AG. We are currently also implementing ISO 50001 systems at a number of individual locations outside Germany. In accordance with this standard, we have embedded energy management within our organization.

We regularly measure and assess our essential energy consumption in order to identify and take advantage of savings potential in the areas of production and infrastructure. For example, we have optimized the switching times of lighting and ventilation systems at our locations and replaced conventional light sources with LEDs. In addition, we have implemented new lighting control concepts, including dimming functions. We have also optimized the controls of building technology systems and introduced a demand-oriented ⓘ airflow management system.

Furthermore, we always look for high levels of energy efficiency when purchasing new facilities or converting plants and buildings. We focus on the control systems for all technical installations and components, as well as a transparent system for measuring consumption. For example, we consider it important to have production equipment that can be switched off during breaks and non-production times and can be operated efficiently even under ⓘ partial-load conditions. Moreover, we are sensitizing the workforces at the plants to the issue of energy conservation by means of various measures such as generally visible tips, training courses, and energy measurements in the production facilities. We are also conserving energy by means of many different technical measures, including an intelligent robot control system, highly efficient ⓘ turbo compressors for centralized compressed air production, and the systematic reduction of the ⓘ base load of management and production units. Furthermore, we are striving toward an efficient control system for all of our energy supply and building technology facilities.

For example, during the reporting year Mercedes-Benz AG optimized a casting process for manufacturing cylinder heads, thus reducing the amount of energy it requires by about 83 percent. Improvements to the foundry of the Mettingen plant in Germany included a conversion of the coremaking process that eliminated the need for energy-intensive filtering of the exhaust air from the foundry.

Mercedes-Benz AG consumed 5,632 GWh/a of electricity, natural gas, fuels, and other energy carriers in 2020. This was a reduction of 12 percent on the prior year.

27 | Daimler in China

Beijing Foton Daimler Automotive Co., Ltd. (BFDA)	Beijing Benz Automotive Co., Ltd. (BBAC)	Fujian Benz Automotive Co., Ltd (FBAC)	Shenzhen BYD Daimler New Technology Co., Ltd.
Ownership 50 percent Daimler, 50 percent Foton	**Ownership** 49 percent Daimler, 51 percent BAIC	**Ownership** 50 percent Daimler Vans Hong Kong Limited, 35 percent BAIC Motor Corporation Ltd., 15 percent Fujian Motor Industry Group Corporation	**Ownership** 50 percent Daimler, 50 percent BYD Co., Ltd.
Location Beijing	**Location** Beijing	**Location** Fuzhou	**Location** Shenzhen
Production volume in 2020 Total (including TTO&KD: 130,597 units	**Production volume in 2020** 608,977 units	**Production volume in 2020** 29,935 units	**Production volume in 2020** 4,153 units
Production Medium and heavy-duty Auman brand trucks, EST-A, EST, GTL, ETX, Mercedes-Benz OM 457 engines	**Production** EQC* SUV, AMG A35L, A-Class L, C-Class SWB & LWB, E-Class L, GLC SUV L, GLB, GLA	**Production** Body shop and assembly plant for vans (V-Class, Vito)	**Production** DENZA X PHEV DENZA X BEV
Energy consumption 419.6 GWh – thereof electricity: 85.1 GWh – thereof natural gas: 192.7 GWh – thereof heating oil: 141.8 GWh	**Energy consumption** 1,005 GWh – thereof electricity: 499 GWh – thereof solar electricity: 9 GWh – thereof natural gas: 497 GWh	**Energy consumption** 86.7 GWh – thereof electricity: 47.2 GWh – thereof natural gas: 39.3 GWh	

* see appendix: Labeling

Trucks & Buses consumed 2,982 GWh/a of energy, representing a drop of 19 percent on the prior-year value.

Energy consumption is systematically recorded in a Group-wide database. During the reporting year, the energy consumption per vehicle at Mercedes-Benz Cars rose by 15 percent compared to 2019. This increase is due to the effects of the pandemic-related drop in production output as well as the production launches at the new factories. Mercedes-Benz Vans was able to reduce the energy consumption per vehicle by 3 percent compared to the previous year. Trucks & Buses saw energy consumption per vehicle increase by 17 percent compared to 2019.

Resource conservation: targets

Key figures environment

We are using water with increasing efficiency

GRI 303-1/-2/-3/-4/-5

Water is not only a precious commodity – it is also scarce. According to UNESCO's World Water Development Report, climate change, population growth, and increasing consumption will lead to water scarcity for more than five billion people in 2050 – if we continue to use water at the present rate. This is why we at Daimler want to help create a sustainable water management system and continue reducing our water consumption.

We are achieving this reduction by closing our water cycles – for example, by treating process water and using closed-loop cooling systems instead of open ones. We are also installing water-conserving fittings in sanitary facilities and making production processes more efficient. For instance, the new paint shops for cars and trucks are now using dry instead of wet separation technologies. At our truck transmission plant in Gaggenau we are avoiding the use of water altogether by painting components using UV light. We are also relying on innovative industrial cleaning processes and using lasers for spot cleaning instead of water.

Mercedes-Benz has also implemented water-conserving measures for the rain test, which is used to check the water resistance of all new vehicles. At some of our production locations we use a biological water treatment process that functions without the use of biocides. As a result, the wastewater contains fewer harmful substances, and the volume of water can be retained and reused within the cycle roughly three times as often.

Wastewater from our production processes and sanitary facilities is either channeled to local wastewater treatment and disposal facilities according to local regulations or pretreated and purified at our own sites. We also have biological wastewater plants at a number of our locations. The risk of polluting rainwater on our plant premises is minimized through the

implementation of the Daimler regulations for environmental protection. One example of our responsible wastewater management is our truck and bus production plant in Chennai (India). None of its wastewater is channeled into the sewage system or into bodies of water. Here, process water is systematically treated in the plant's own wastewater treatment facility. In addition, large volumes of rainwater are collected in retention basins on site and purified by means of water filtration systems. The water is subsequently used in the plant's operational processes and sanitary facilities, as well as for watering its green areas.

For water management at Daimler Truck AG, we have set ourselves the goal of fully implementing the Group's standard for avoiding the pollution of rainwater at all of our production locations worldwide by 2030 at the latest.

At Mercedes-Benz Cars, water consumption per vehicle rose by 14 percent in the reporting year, compared to 2019. This is also due to the pandemic-related drop in production output as well as to the production launches at the new factories. In 2020 Mercedes-Benz Vans saw water consumption per vehicle increase by 12 percent compared to the previous year. During the reporting year, water consumption per vehicle rose at Trucks & Buses by 15 percent compared to 2019.

Resource conservation: targets
Key figures environment

We are reducing waste volumes

GRI 306-1/-2

Our goal is to reduce the waste volumes generated in our production. As part of this effort, it's important to ensure transparency concerning the waste value streams and to correctly separate the various types of waste. For example, in Europe we classify different types of waste according to waste key numbers, and we treat and dispose of them according to specific regulations. We generally work with licensed and regularly certified waste disposal companies to ensure the professional disposal of our waste materials. Furthermore, we minimize the amount of waste resulting from new or optimized production processes, such as clippings, sands, filter media, and slurries.

The volume of disposable waste per vehicle at Mercedes-Benz Cars declined by 21 percent during the reporting year, compared to 2019. In recent years, waste continuously decreased at Mercedes-Benz Cars, for example. This was done by reducing the waste components that contributed considerably to the amounts disposed of at the plants for major assemblies and CKD production. In 2020 Mercedes-Benz Vans was able to reduce the volume of disposable waste per vehicle by 13 percent compared to the previous year. During the reporting year, the volume of disposable waste per vehicle rose at Trucks & Buses by 12 percent compared to 2019.

We are reducing our waste volumes in the area of logistics. For example, we are optimizing packaging and using reusable carriers. At our Mercedes-Benz plant in Aksaray (Turkey) we have improved the packaging of engines and transmissions for transport. Before the switch, the engines and transmissions were transported in one-way containers made of wood. We are now using multiple-use steel load carriers. Through this measure we are saving packaging materials equivalent to 3,200 trees annually.

Waste reduction in catering

The production and sale of food and the disposal of food waste all have a considerable impact on the environment. The Group's catering company in Germany, Daimler Gastronomie GmbH, provides around 45,000 employees with food and beverages daily at 11 locations in 35 staff restaurants and 54 company-owned shops. Our goal is to reduce the CO_2 balance of our food and the volume of waste it generates. We have developed a sustainable packaging strategy that makes this possible. In the reporting year we implemented various measures that reduced plastic waste by about 23.9 tons.

For example, at our catering facilities we do not use any disposable plastic. By introducing sustainable menu boxes made of bagasse and eliminating single-use coffee cups, we will fully reach this goal in the future. According to current calculations, by simultaneously introducing our reusable plastic-free coffee cup in a deposit system, we will be able to avoid the use of 2.4 million disposable coffee cups. These two measures could reduce our annual volume of plastic waste by an additional 14.8 tons. We also want to deal more sustainably with unavoidable food waste. To this end, we are assessing the recycling loop of food waste with the help of innovative solutions and partners. For instance, we are working together with energy suppliers that can convert waste food into energy.

Resource conservation: targets
Key figures environment

How we preserve and promote biodiversity at our locations

The decline of biodiversity is a global problem that is steadily growing. There are many causes for this decline, including the massive use of natural resources, increasing pollutant emissions, and production-related inroads on habitat. Along with measures to reduce emissions and protect the climate as well as soil and water resources, another important task for us is the maintenance and promotion of biodiversity at our plant locations. At the Daimler AG production plants we have already established many measures to preserve the environmental balance, and we will continue to expand these in the future.

Our internal recommendations for promoting biodiversity include practical tips for creating semi-natural habitats at our plants. They encourage the plants to actively promote biodiversity and to consider this aspect when construction work is being planned, as well as implementing the corresponding measures. For example, at our locations we have created insect hotels and nesting aids for local birds, set up hotels for wild bees,

and created greening for roofs, facades, and dry stream beds as well as rock gardens and flowering meadows. We have also redesigned semi-natural green areas at many of our locations in Germany. For a number of years now, the German environmental organization NABU has provided advice, support, and documentation for our programs benefiting the flora and fauna at these locations. At many other locations, marginal strips of land and previously little-used plots of ground have also been renatured and provided with species-appropriate nesting aids and birdhouses. These programs have been successful. For example, more than 30 peregrine falcon chicks have hatched at the Mercedes-Benz plant in Sindelfingen.

Many of the plants in Germany use the biodiversity index (BIX) we have developed in-house to assess their plant grounds and evaluate their biodiversity enhancement.

The United Nations have declared the period between 2011 and 2020 the "UN Decade on Biodiversity" and called on the people of the world to help promote biodiversity. In the reporting year, the biodiversity project of the Mercedes-Benz plant in Mannheim was recognized as an official project of the UN Decade on Biodiversity because of its commitment to the protection, preservation, and enhancement of species diversity. The project team planted meadows of wild herbs on 1,100 square meters of green areas on the plant grounds. An additional 6,000 square meters of land were laid out in ways that reduced pruning to a minimum. As a result, these areas can develop naturally and offer a habitat to butterflies, wild bees, and other endangered insect species.

How we assess the effectiveness of our management approach

GRI 103-3

In order to continuously reduce our consumption of resources in production operations, we have set ourselves specific targets to be reached by 2030 for our consumption of water and energy and for the waste for disposal volume per vehicle. In order to monitor progress toward our goals and our reporting in this area, Daimler systematically compiles key environmental and energy data from its plants in Germany and abroad. The Daimler locations operated by majority holdings gather, calculate, and evaluate these data at the plant level using the Daimler environmental data information system (DUDIS).

On the basis of the measurement data and by means of internal and external tools, we assess the extent to which we are reaching the resource targets we have set for our plants. We have defined the key figures for in-house assessments, and we monitor these figures by means of a scorecard. We have commissioned an auditing company to conduct the external audit. This company annually evaluates a selected number of our corporate goals and their implementation. We use the audited results of these evaluations to adapt and improve our measures for resource conservation.

28 | Energy consumption (in GWh)

GRI 302-1

	2016	2017	2018	2019	2020
Total	**10,895**	**11,340**	**11,607**	**11,287**	**9,711**

29 | Water usage (in 1,000 m^3)

GRI 303-3

	2016	2017	2018	2019	2020
Total	**15,104**	**14,014**	**14,381**	**13,486**	**11,778**

30 | Waste by type of waste (in 1,000 t)

GRI 306-3/-4/-5

	2016	2017	2018	2019	2020
Non-hazardous waste for disposal	86	82	40	28	**13**
Non-hazardous waste for recycling (excluding scrap metal)	223	239	318	303	**251**
Scrap metal for recycling	828	858	877	830	**685**
Hazardous waste for disposal	21	15	10	10	**11**
Hazardous waste for recycling	71	75	82	79	**65**
Total	**1,229**	**1,269**	**1,328**	**1,249**	**1,025**

Livable cities

Livable cities

The majority of the world's population now live in cities, where millions of people and tons of goods travel every day – in many cases in cars, vans and trucks, as well as via public transport. Congested roads, higher CO_2 emissions, and increasing noise and air pollution are just some of the effects of this transport activity. We need to expand our thinking about urban mobility concepts in order to reduce these impacts.

Our vision at Daimler is to use sustainable transportation solutions to improve quality of life in the cities. Electric mobility offers one key lever – but it is not the only one. It is much more a matter of establishing a comprehensive electric mobility ecosystem consisting of products, services, technologies, and innovations. Daimler is taking responsibility here and employing intelligent mobility solutions to shape the future of urban transportation.

SPURWECHSEL – We are changing lanes

Urban mobility: We are helping to ensure a better quality of life in cities

Products and services from Daimler are already helping to improve traffic in cities – and we are expanding our activities in this area. We want to reduce emissions in cities and increase safety, and we also want to make a broader range of mobility solutions available. These are our objectives for making cities livable. We are focusing on the following action areas in order to achieve these objectives:

- We offer private and business customers in metropolitan areas safe, low-emission products combined with accompanying services for the transport of people and goods.
- We are developing new mobility solutions. At the same time, we support the launch of new products and the further development of existing products that help make transport in urban areas safe, clean, and efficient.
- We support mobility that goes beyond privately owned cars by investing in new mobility services and platforms.
- We understand the mobility needs of cities and we combine existing solutions from Daimler while developing new products and services as well. We work with city representatives to develop new solutions, products, and business models that improve the quality of life in cities.

Rapid growth requires smart mobility

GRI 103-1

More and more people around the world are moving to cities. According to the United Nations, nearly 70 percent of the world's population will be living in urban areas in the year 2050. This development is affecting traffic volumes and the quality of life in urban areas. A clever mobility mix and the further expansion of electric mobility and solutions for making goods transportation more efficient are therefore more important than ever.

At the moment, increasing traffic volumes often lead to higher emissions. This is why we are working to make urban mobility more efficient, safer, and more environmentally friendly – and to enable CO_2-neutral mobility in the medium term. Many of our products and services are already designed to help improve the traffic situation in cities. But we are accomplishing even more – for example by helping to make streets safer and by intelligently linking various mobility solutions.

How we are helping to shape urban mobility

GRI 103-2

We have firmly established the "Livable Cities" area of action as an integral part of our sustainable business strategy. Our activities here clearly show how we plan to help cities and their residents meet mobility requirements relating to safety, sustainability, and efficiency. We will provide such help by further developing and combining existing Daimler products simultaneously as we develop and test entirely new solutions.

Urban Mobility Solutions is optimizing the traffic flows of the future

In 2019, the Urban Mobility Solutions unit was launched with the aim of making mobility in cities safer, more efficient, and more sustainable. Although Urban Mobility Solutions is part of the Mercedes-Benz AG Marketing & Sales division, its activities and decisions apply throughout the Daimler Group.

The unit's mission is to gain an even better understanding of the mobility requirements of cities through a continuous exchange of information, and to help improve the quality of life in cities by developing new solutions, products, and business models. In order to identify and address new ideas and trends in the area of urban mobility at an early stage of their development, our teams work closely with representatives of cities, partners from industry, and experts from our planning and research departments, as well as other business units at Daimler. Our goal for this approach is to develop new fields of business, expand and improve the Daimler AG portfolio, and prepare the company for future developments in the area of urban mobility.

During the year under review, Urban Mobility Solutions identified three new product and service segments for customers in urban areas:

- **"Data-based mobility products":** We use vehicle data to develop products that can help improve safety in urban traffic or optimize traffic flows and make them more efficient.
- **"Urban mobility systems":** We help cities and urban players such as event organizers and district developers design and implement holistic mobility systems that successfully address urban mobility challenges.
- **"Vehicles optimized for cities":** We develop vehicle-related services that help meet specific needs and requirements more effectively in a dynamically changing urban environment.

Urban Mobility Solutions projects

Urban Mobility Solutions is currently involved in extensive discussions with representatives of cities and regional governments in Europe and the United States in particular. The talks focus on how data can be used to make road traffic safer and more efficient. Other topics include the optimization of traffic flows in real time through the use of intelligent vehicle-to-vehicle and vehicle-to-infrastructure connectivity systems.

During 2020, Urban Mobility Solutions also developed a data analytics platform for smart networked cities in cooperation with a major European city. The solution is designed to make cities safer and thus more attractive. Experts from Urban Mobility Solutions use the data from driving assistance systems to identify critical traffic areas in the city and transparently depict danger zones. This information can help traffic planning specialists make better decisions in order to ensure traffic safety in the city and effectively implement corresponding measures. This Mercedes-Benz product for increasing traffic safety has been available for use by other cities as well since the beginning of 2021.

Urban Mobility Solutions has also initiated another project at Synergiepark in Stuttgart. Synergiepark is the largest commercial zone in Stuttgart, and plans call for it to double in size over the next three years. In the year under review, Urban Mobility Solutions, the city of Stuttgart, and the Stuttgarter Straßenbahnen public transport company launched initial mobility solutions for Synergiepark – including an on-demand shuttle for people who work there. Employees at participating companies in Synergiepark can hop on and off the shuttle anywhere at the site – i.e. the shuttle has no fixed schedule or stops. The shuttle service can be ordered via an app and is integrated into the local public transport fare system. The shuttle operates with Mercedes-Benz vehicles, some of which are equipped with electric drives.

Urban Mobility Solutions plans to take things a step further in 2021 by developing a holistic mobility concept for Synergiepark in cooperation with partners from business and industry, government, scientific institutes, and civic organizations. The goal here is to improve the flow of commuter traffic within the existing transport infrastructure, while at the same time significantly reducing the negative environmental impact of such traffic. The mobility solutions developed within the framework of the concept are to be implemented by the Verkehrsverbund Stuttgart public transport association and made available to Synergiepark commuters and residents of the Stuttgart region.

Urban Mobility Solutions also implemented a parking and shuttle concept for the Messe Stuttgart trade fair company during the CMT 2020 exhibition, and the unit made other mobility services available at the event as well. For example, visitors to the exhibition were able to use additional SHARE NOW carsharing vehicles that were parked at the entrance to the trade fair center. Daimler also set up a temporary park-and-ride parking area at its Stuttgart-Möhringen site on one of the exhibition weekends in order to reduce congestion on streets near the trade fair center. The park-and-ride shuttle bus operated between the parking area and the exhibition throughout the weekend.

Urban Mobility Solutions is active in other regions in Germany as well – for example in the Rhine-Ruhr metropolitan area, where the "Rhein Ruhr City 2032" initiative is looking to bring the 2032 Summer Olympics and Paralympics to the state of North Rhine-Westphalia. Daimler is supporting the initiative as a partner and will work with it to develop a regional mobility concept for the games. The idea is that the concept should also be used after the events as a sustainable mobility solution that will improve the quality of life in the region. To this end, Urban Mobility Solutions and the Future Research unit are working closely with our partner Gehl and with local stakeholders from government, administrative agencies, business and industry, and the general public.

Smart Cities team implements sustainable mobility solutions with vans

Mercedes-Benz Vans established a Smart Cities team in 2017. Today the team works closely with Urban Mobility Solutions and manages specific issues and projects for the Vans division. Among other things, the Smart Cities team cooperates with cities and players in the urban environment – such as public and private transport companies and transport network operators (for example Via, Bolt, Kapten) – in order to identify mobility requirements and implement sustainable solutions.

Such solutions include on-demand services with battery-electric vans that allow passengers to book rides flexibly in real time via an app and then have themselves picked up at "virtual stops." In many cases, these services are used as an additional transport option in public transport systems – for example to cover the last mile from the terminus of a subway line to the destination. Companies, universities, and airports that operate their own shuttle services for their employees are also making use of mobility solutions offered by Mercedes-Benz Vans.

One example here is the BerlKönig on-demand transport service, which has been offered by Berlin's BVG public transport company and ViaVan, now Via, since 2018. Another successful example is the BASF Corporate Shuttle at the company's plant in Ludwigshafen, where employees and visitors can use an app to order a van for transport to another part of the plant site. The SSB Flex on-demand service in Stuttgart uses a fleet of Mercedes-Benz vans to supplement the existing public transport system. Here, passengers use an app to book a ride and a seat and are then assigned to a van with other passengers traveling in the same direction. The first all-electric EQV (combined electrical consumption: 26.4–26.3 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2], was made part of the SSB Flex fleet at the end of 2020.

Corporate mobility management: How we are achieving more sustainable mobility for our employees

Commutes to and from work and business travel account for a lot of driving. In addition to approaches involving electrification and digitalization we introduced our Corporate Mobility Management (CMM) system in order to reduce the resulting traffic congestion and make such travel more sustainable in general.

The CMM system has been part of the f.l.o.w. mobility initiative since 2018. f.l.o.w., which is a German acronym for "mobility, lifestyle, ecology, and economy," develops and brings together solutions for reducing traffic congestion and improving traffic flows. Our goal is to reduce the number of road kilometers traveled and thus CO_2 emissions as well, and to make traffic in cities more fluid.

About 80,000 men and women work for Daimler in the Stuttgart region. To ensure that they can get to work in as climate-friendly a way as possible and without getting stuck in traffic jams, we are subsidizing their use of public transport such as commuter trains, streetcars, and buses by means of job tickets. In addition, during the reporting year our employees were able to use local public transportation free of charge to travel between their homes and workplaces in the Stuttgart metropolitan region, and for business travel in the region, on days when the city of Stuttgart declared particulate alerts. The costs of these journeys were covered by Daimler.

The "flinc" ridesharing app was launched at our Sindelfingen site back in 2019. This app is a platform that commuters can use to establish ridesharing networks. We plan to expand the scope of this mobility service in the future.

1 The electricity consumption was determined on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption is dependent on the vehicle configuration.
2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

Innovative urban development: Daimler Buses is driving the transformation of passenger transport

Daimler Buses is already making an important contribution to shaping the future of urban traffic and transportation in a responsible manner. Our electric buses, mobility solutions, and digital services are helping to make public transport increasingly locally emission-free and quieter.

We are putting more electric buses on the road in public transport systems

Daimler Buses is already making an important contribution to ensuring the success of the mobility revolution in passenger transport. Daimler Buses' goal is to enable sustainable CO_2-neutral public transport in cities. Daimler Buses took the first step in this direction as early as 2018 with the Mercedes-Benz eCitaro, and it has continued to further develop its technologies since then. Customers can choose from various electric bus models, battery technologies, and charging options – and find the right solution for their specific requirements and applications.

The eCitaro was available with as many as twelve lithium-ion battery packs in the reporting year; as of 2021 it can be ordered with the next generation of lithium-ion batteries. Daimler Buses also presented the new electric Mercedes-Benz eCitaro articulated bus in combination with a new solid-state battery in 2020. The new solid-state batteries have a very high energy density and a total energy capacity of 441 kWh. Thus ensuring a long range and a particularly long battery service life.

The eCitaro is only one part of Daimler Buses' overall eMobility system, however. After all, it will take more than just the procurement of electric buses to achieve a successful transition to electric mobility in public transport. For example, in order to ensure an efficient and well-functioning urban mobility system, it will also be necessary to take into account the different needs and requirements of the public and private sectors when converting bus fleets to electric drive systems. Daimler Buses' eMobility consulting team helps local public transport companies here by offering comprehensive advice and support.

Daimler Buses continues to expand its digital services

Digitalization and networking make it possible to increase the efficiency and customization of bus mobility. The OMNIplus ON portal from Daimler Buses integrates and consolidates all the digital services needed for this in a clearly structured manner. For example, bus companies can use the portal to personally access all the services they offer. OMNIplus ON is based on four pillars:

- **ON advance** makes it possible for bus companies to utilize an anticipatory fleet management system. The OMNIplus Uptime service allows customers to remotely monitor the technical condition of each of their vehicles and thus identify any need for maintenance or repairs at an early stage.
- **ON monitor** combines telematics services that provide bus companies with fleet information such as fuel consumption and the latest operating data of a vehicle. Telematics services make it possible to analyze driving styles, locate vehicles, and efficiently plan bus operations. They also help bus companies meet legal documentation requirements regarding the storage of driver cards and bulk data.
- **ON drive** supports drivers with their daily work. For example, a smartphone can be used to easily perform vehicle tests or access vehicle information (e.g. on tire pressure or fuel tank levels).
- **ON commerce** allows bus companies to quickly and directly procure spare parts from the OMNIplus eShop.

Daimler Buses is also continuously expanding its digital services. During the reporting year, Daimler Buses launched its new OMNIplus ON SignalStore service. With this service, customers are provided with data packages that they can use to store historical and real-time data points directly from their vehicles on their own system via a data interface. They can then process the data further. Such data includes location data and data on high-voltage batteries, climate control, and ventilation, as well as technical data for error diagnosis.

Another important component of OMNIplus ON is the new digital OMNIplus eShop, which can be used to order all spare and remanufactured parts and components online. Along with the complete product portfolio, the eShop has also included components for individual bus fleets as well as customized spare parts for selected vehicles since 2020. The range of products is being continuously expanded, and plans for the medium term also call for the OMNIplus eShop to offer service contracts and 3D printing of small parts.

Fast, safe, and sustainable: Bus Rapid Transit improves passenger transport

Bus Rapid Transit (BRT) systems enable fast, convenient, and cost-effective mobility. They use dedicated bus lanes that enable congestion-free operation and short intervals between buses. Exhaust gas and noise emissions can be reduced. The separation from normal road traffic enabled by the dedicated lanes also makes service more reliable and allows the buses to travel at higher speeds. If a BRT system is to work effectively, the buses must be given priority at traffic lights. Modern barrier-free bus stops, pre-ticketing systems, and connections to other public transport services and park & ride and bike & ride locations are also important.

With the introduction of a BRT system in the Australian city of Adelaide about 30 years ago, Daimler was one of the pioneers of urban mobility. Approximately 171 BRT systems are currently operating on all continents, and we continue to support efforts to expand BRT systems around the world. For example, we supply suitable articulated buses and provide advice to transport companies on the introduction and further development of BRT systems.

Compact, flexible, and economical: Minibuses as a mobility alternative in local public transport
New momentum will be needed if the transformation of mobility in cities and their surrounding areas is to be successful. Urban minibuses such as the Mercedes-Benz Sprinter City 75 play a key role here by increasing the flexibility, scope of application, and profitability of local public transport systems.

Minibuses are an excellent transport option for routes that do not have many passengers, for example. They make it possible to also operate an economical and environmentally friendly public transport service in off-peak hours (e.g. at night and on Sundays), as well as in outlying areas where fewer people travel. In addition, minibuses can be used on narrow or winding routes for which large buses would be too high, too wide, or too heavy. This means minibuses can be used for new routes and new destinations. Minibuses have lower entrances, so their utilization also makes it easier for people with disabilities to use regular local public transport and on-demand transport services.

The Mercedes-Benz Sprinter has also been available with long haul seating since 2020, making the model safer and more comfortable and flexible.

Freight transport: Electric trucks ease the burden on cities

It is not only people who move around in cities – a large volume of goods also needs to be transported within cities safely and in the most environmentally friendly manner possible. Our goal is to reduce both the emissions and the noise caused by urban distribution haulage operations.

With the fully electric eActros, Mercedes-Benz Trucks is demonstrating that locally emission-free heavy-duty urban distribution transportation is already possible today. The eActros, which has a range of around 200 kilometers, has been used since 2018 by various customers in Europe in everyday operations as a local CO_2-neutral alternative for urban distribution haulage. The eActros is being tested here by customers from different business sectors for a variety of applications, including the transport of refrigerated foods and of construction and other materials. The tests will end in 2021, and the launch of series production is scheduled for the same year.

Additional plans call for municipal service companies to begin practical testing of the low-floor battery-electric Mercedes-Benz eEconic truck in 2021. The urban waste disposal sector is considered a very good testing ground for battery-electric trucks due to its relatively short fixed routes of up to around 100 km and the high level of stop-and-go traffic involved. The eEconic, which is based on the eActros, will go into series production in 2022.

Daimler customers around the world have been relying on the Fuso eCanter for light urban distribution haulage operations since 2017. The eCanter's electric drive system is also locally emission-free. During the reporting year, Mercedes-Benz Trucks delivered additional vehicles to customers in Europe and Japan – and more than 200 light Fuso eCanter trucks were on the road every day in 2020 as a result.

Daimler Trucks offers consulting services and infrastructure solutions for electric trucks
Daimler Trucks offers a comprehensive ecosystem for its electric trucks in order to make the transition to electric transport logistics as easy as possible for customers. This ecosystem includes extensive consulting services and the development of suitable charging infrastructure solutions.

The consulting services, which have a modular structure and are tailored to the specific needs of individual customers, include route and operating cost analyses, a review of available subsidies, and support with operational fleet integration.

Given the numerous options available, Daimler Trucks also helps customers choose the best drive system technology for their needs in line with the given business sector, segment, and specific application. For example, the consulting team determines which type of charging station is most suitable for the customer in question and whether the customer's mains connection needs to be upgraded, for example. Important factors such as the charging location and charging times are taken into account here.

Daimler Trucks also took a further step toward the future of electric mobility at the beginning of 2020 by launching the worldwide eTruck Charging Initiative to establish a charging infrastructure for battery-electric trucks. The initiative has established a network that brings together all the main players – electric-truck customers, power grid operators, energy suppliers, charging hardware manufacturers, and charging software providers – in an effort to implement shared infrastructure solutions.

Mercedes-Benz Trucks is focusing on digital services

Digitalization is changing the nature of logistics, as processes, objects, and all of the participants along the value chain are being digitally networked. Data and innovative technologies are making new logistics services possible. In the process, vehicles themselves are becoming more extensively linked with logistics processes and therefore need corresponding new properties as standard. With this in mind, Mercedes-Benz Trucks now offers numerous digital services that optimize logistics processes, vehicle fleets, and individual vehicles. The trucks themselves are thus increasingly being transformed into digital service platforms within the framework of the Truck-as-a-Service concept. With services such as HABBL and the new Fleetboard, Mercedes-Benz Trucks is helping its customers increase the productivity of their trucks even further.

Making logistics processes more efficient with HABBL
HABBL is a system that helps business customers conserve resources. Courier, express, and postal service companies, transport and logistics companies, and other supply chain partners can use HABBL to make their processes more efficient and improve traffic flow. The system can be used in vehicles of all makes and types. The associated HABBL app takes truck drivers through their logistics workflow step by step, thereby improving process quality. HABBL especially generates added value by

- efficiently communicating the route to be traveled,
- decreasing downtimes and waiting times and thus reducing the amount of space occupied by vehicles, and
- preventing damage by ensuring appropriate handling of cargo.

Optimizing vehicle fleets with Fleetboard
Mercedes-Benz Trucks develops and markets Fleetboard – telematics solutions that ensure the best possible management of fleets. Mercedes-Benz Trucks established a new technological foundation for the telematics system during the year under review by transferring the Fleetboard portal to Microsoft Azure Cloud. All Fleetboard services have been available via Microsoft Azure Cloud since September 2020. In the future, these services will be updated at shorter intervals and expanded to include new features.

The new Fleetboard user interface also offers new possibilities for vehicle monitoring with a live vehicle positioning system that updates a truck's GPS position every 30 seconds. Fleetboard can also be used to plan routes and calculate tolls due. In addition, the application now for the first time provides centralized information on whether and how driver assistance systems have been used in vehicles. For example, it shows when the driver turns off the emergency braking system or the Lane Keeping Assist system. The Fleetboard Manager app also offers drivers basic telematics functions by displaying the vehicle's CO_2 emissions, GPS positions, routes, and fuel consumption. It also evaluates driving styles and points out fuel-savings potential.

Strategic investments in the future of mobility

Daimler acts as a strategic investor in the growing market for urban mobility services via Daimler Mobility AG. Among other things, Daimler Mobility AG and the BMW Group have teamed up in the YOUR NOW joint ventures, in which the two partners have an equal interest. The YOUR NOW mobility services combine solutions for ℹ ride hailing, carsharing, and parking services with multimodal platforms and the charging of electric vehicles.

Daimler Mobility is simultaneously expanding its activities in the area of premium ride hailing: As part of a joint venture with the Geely Technology Group, an app-based limousine chauffeur service known as StarRides was launched in Hangzhou, China at the end of 2019. StarRides was also launched in the Chinese cities of Chengdu, Guangzhou, Beijing, Shanghai, and Xi'an during 2020. Daimler Mobility has also held an interest in the Berlin-based chauffeur and concierge services provider Blacklane since 2013. In addition, Daimler Mobility has invested in other mobility services such as Bolt and Turo.

More sustainable mobility with YOUR NOW
Mobility services from the YOUR NOW companies can contribute to making urban mobility more sustainable. For example, the carsharing provider SHARE NOW operates more than 2,150 electric vehicles throughout Europe. SHARE NOW uses fully electric vehicle fleets in Amsterdam, Madrid, Paris, and Stuttgart.

Users of the FREE NOW ride-hailing service can order a hybrid or all-electric "eco-vehicle" on the service's online booking page. FREE NOW intends to further increase the share of such vehicles in the overall fleet. FREE NOW customers at selected locations can also use the app to share rides with other passengers or rent an electric scooter or electric bike for short trips.

How we assess the effectiveness of our management approach

GRI 103-3

As an integral part of our sustainable business strategy, our activities within the theme "Livable Cities" with its associated pioneering mobility and transport solutions make an important contribution to improving urban quality of life. For this reason, the initiative has also been integrated into the Daimler AG management system. The individual activities within the "Livable Cities" area of action are evaluated on the basis of the respective targets of the division responsible. We communicate extensively with representatives of cities and leading experts in the fields of urban development and traffic/transport development. Here too, we receive valuable suggestions and ideas for new strategic initiatives. In addition, we make use of their feedback to review and improve our concepts.

Traffic safety

Traffic safety

Accident-free driving – this vision drives us and is a fixed component of our sustainable business strategy. Our innovative driving assistance systems already offer drivers and passengers a high level of safety and comfort today. These systems can help drivers avoid or safely manage critical situations on the road in order to protect vehicle occupants and other road users. System warnings and active brake applications are now increasingly mitigating the consequences of accidents or even preventing them altogether.

Automated driving systems have the potential to fundamentally change the nature of mobility – and improve it. For example, automated systems can make an important contribution to increasing safety. At the same time, we need to keep the potential risks in mind. It is vitally important that we take not only functional aspects but also ethical and data protection issues into account from the very beginning of the product development process.

SPURWECHSEL – We are changing lanes

What we seek to achieve in terms of traffic safety

- We want to prevent or mitigate the effects of as many accidents as possible by making use of state-of-the-art assistance systems.
- We aim to achieve the best possible crash safety results with a high degree of occupant protection and protection of other road users.
- We continue to take measures that increase public awareness of the importance of traffic safety through education programs and roadshows, for example, and we provide information on safety technology and innovations.
- We are expanding the use of driving assistance systems in an increasing number of vehicles.
- We are integrating societal and ethical considerations into conditionally automated and highly automated driving systems – for example with our "ethics by design" concept.
- We implement data-protection principles and standards along the entire value chain in accordance with the "privacy by design" principle.
- We support social and political dialog on the topic of automated driving.

Safety is the top priority at Daimler

GRI 103-1

Zero traffic fatalities by 2050 – that's the target of Vision Zero, which is also a component of the current German federal government's coalition agreement. In addition, plans call for the Vision Zero target to be utilized as a guiding principle of the German Road Traffic Regulations (StVO). The next milestone to be achieved on the road to Vision Zero is to reduce the number of traffic fatalities and critically injured individuals by 50 percent by 2030 as compared to 2020. The safety and assistance systems that we as a vehicle manufacturer have developed can make an important contribution to the achievement of this milestone and Vision Zero.

Safety is part of our DNA and one of our most important obligations – not just toward our customers but toward all road users. We therefore focus strongly on safety as early as the vehicle development stage. For decades, our in-house accident research has laid the foundation for innovative safety technologies and the development of ever more efficient systems. We plan to continue pursuing this approach in the future.

Our goals and measures on the road to accident-free driving

GRI 103-2

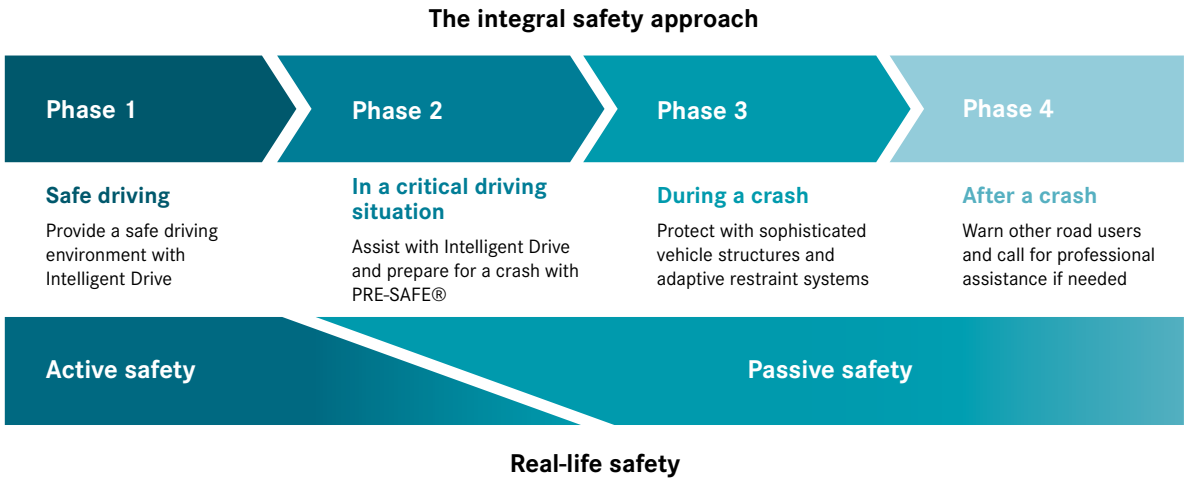
We have set ourselves ambitious goals as we continue on our road to accident-free driving, and we are systematically moving ahead to achieve them. We are aiming to:

- Further improve our accident-prevention systems – for example with Active Brake Assist.
- Make our vehicles even safer for vehicle occupants both during and after an accident – for example with appropriate vehicle structures, effective restraint systems, and systems that can engage after an accident.
- Make our vehicles safer for others – for example with pedestrian recognition systems and systems that protect other road users.
- Increase traffic safety in general – for example through safety initiatives such as SAFE ROADS and MobileKids.
- Use car-to-X communication in order to contribute to ensuring safety for all road users – for example within the framework of our pilot project in the Zollernalb district in Baden-Württemberg.

What we demand of ourselves: Laws and regulations are where we start

Legislation relating to vehicle and traffic safety has been significantly and continuously made more stringent over the last few decades. The EU, for example, has revised its regulation on the general safety of motor vehicles, which now stipulates that all new trucks and buses must be equipped with turning assistance systems as of mid-2024. The use of assistance systems that monitor the areas in front of and behind the vehicle will also be compulsory from then on. Our goal is to develop safety measures whose features go beyond what is required by current legislation and regulations. This means we also seek to define further requirements.

31 | Real-life Safety: the safety philosophy at Mercedes-Benz



We utilize a holistic safety concept

We employ our holistic "Integral Safety" concept in our vehicle development activities. We first used this concept in the late 1990s to describe how we had divided the utilization of vehicle safety systems into four phases: "Safe driving," "In a critical driving situation," "During a crash," and "After a crash."

Our safety measures establish a bridge between active and passive safety within these four phases – i.e. between accident prevention (phases 1 and 2) and protection when an accident occurs (phases 3 and 4):

— **Phase 1: Safe driving**
Comfort assistance systems that make driving safer, assist drivers, and can help to prevent accidents. One example is the Active Distance Assist DISTRONIC system and Active Drive Assist for trucks.

— **Phase 2: In a critical driving situation**
Safety assistance systems that can warn, assist, and engage automatically, as well as protection systems that can already be activated in the pre-accident phase (PRE-SAFE®). One example is Active Brake Assist, which we developed in different versions for cars, vans, and commercial vehicles. Daimler Trucks also uses the Active Brake Assist 5 emergency braking system.

— **Phase 3: During a crash**
Protection systems that can intelligently protect all vehicle occupants as required in the given situation. One example is offered by innovative restraint systems such as the beltbag for cars, which protects rear seats passengers.

— **Phase 4: After a crash**
Systems that can secure the accident scene, call for help or provide help themselves. One example is the Rescue Assist app that provides emergency services and rescue teams with important information about the vehicle that was involved in the accident.

Different vehicle types require different protection systems

GRI 416-1

Whether it be cars, vans, trucks or buses – different types of vehicles require different types of protection systems. This is why we utilize specific measures and safety systems in each vehicle segment.

Mercedes-Benz Cars is focusing on normal everyday driving with "Real-life safety"
"Real-life safety" is Mercedes-Benz' safety philosophy. Mercedes-Benz analyzes real everyday driving situations. Here, all technical innovations are evaluated on the basis of the

32 | Driving assistance systems in the new S-Class

Active Distance Assist DISTRONIC
- Route-based speed adaptation
- with end of traffic jam function
- Active Speed Limit Assist
- Active Stop-and-Go Assist

Active Steering Assist
- Active Lane Change Assist
- Active Emergency Stop Assist
- Emergency corridor function

Active Brake Assist
with vehicle / pedestrian / bicycle detection
- with cross-traffic function
- with congestion emergency braking function
- with turning maneuver function

PRE-SAFE® Impulse Side
- with raising of car body via E-ACTIVE BODY CONTROL

Active Blind Spot Assist
- with vehicle exit warning function | Active ambient lighting | MBUX Interior Assist

DIGITAL LIGHT
- Adaptive Highbeam Assist Plus
- ULTRA RANGE High Beam
- with projection function

Active Parking Assist
- with PARKTRONIC
- with collision detection

Car-to-X Communication

Active Lane Keeping Assist

Evasive Steering Assist

Preinstallation for INTELLIGENT PARK PILOT

PRE-SAFE® Sound

PRE-SAFE® PLUS

Parking Package with 360° camera
- with 3D view

Attention Assist
- micro sleep warning

Traffic Sign Assist
- Crosswalk warning function
- Wrong-way warning function
- Stop sign warning function
- Red light warning function

■ NEW

contribution they make to the vision of accident-free driving. Mercedes-Benz assistance and safety systems make driving safe and comfortable and ease the burden on drivers. In this manner, innovations from Mercedes-Benz also make partially automated driving (SAE Level 2) possible on numerous types of streets and roads. In addition, they ease the load on the driver during lane changes, enable vehicles to park in and drive out of tight parking spaces in an automated driving mode, and reduce the danger of a collision in a variety of situations. With intelligent systems, Mercedes-Benz is not only setting standards for automotive engineering but also taking another important step on the road to automated driving.

If the driver becomes inattentive or distracted, the driving assistance systems can react differently to the danger of a collision depending on the situation. Our Active Brake Assist system from Mercedes-Benz Cars, which comes as standard equipment, is a good example of this: Active Brake Assist is able to help prevent accidents with vehicles ahead and with pedestrians crossing the roadway. If the system identifies the risk of a collision, it is able to issue visual and acoustic warnings to the driver. If the driver fails to react, Active Brake Assist is able to independently brake the vehicle when traveling at up to a certain speed. When the vehicle is traveling at urban traffic speeds, the system also reacts to stationary vehicles and pedestrians as well as cyclists crossing the roadway, thereby enhancing the safety of other road users as well.

Accident research and crash tests: How Mercedes-Benz Cars is improving vehicle safety

Mercedes-Benz has long been considered a safety pioneer – and still is, to this day. Mercedes-Benz conducted its first crash test as early as 1959, and for more than 50 years now, the brand's safety experts in the in-house accident research department have been analyzing real accidents involving Mercedes-Benz vehicles. The results of internal crash tests and accident research activities are incorporated into the design of new models and used to improve existing systems as well.

The goal here is to gain a better understanding of how accidents occur and which protective systems could have been used to prevent them. The analysis of real traffic accidents forms the basis for the development of innovative safety technologies and ever more effective systems. This is how the vehicle exit warning function in the Blind Spot Assist system was developed, for example. This function reduces the risk of passing road users colliding with the driver's door when he or she exits the vehicle. Here, a radar sensor system monitors the blind spot and can warn the occupants of approaching traffic – bicycles, for example – when the door is being opened.

Mercedes-Benz also uses state-of-the-art testing equipment to evaluate the crash safety of its vehicles and their systems at the Technology Center for Vehicle Safety (TFS) in Sindelfingen. Mercedes-Benz employs computer simulations to improve the maturity level of test vehicles and safety systems even before the first crash test; this increases the efficiency of the development process. On the crash-test tracks at TFS, around 900 crash tests, as well as approximately 1,700 ⓘ sled tests, can be performed annually.

In many cases, our high internal safety requirements go beyond what is mandated by law and beyond the requirements set by rating agencies. The ⓘ loads that are tested with the crashes are also defined in part on the basis of the results of Mercedes-Benz accident research activities.

X-ray vision for crash tests: Mercedes-Benz Cars is relying on the latest technologies

Mercedes-Benz' vehicle safety unit is currently testing the use of X-ray technology in crash tests in cooperation with the Fraunhofer Institute for High-Speed Dynamics, Ernst-Mach-Institut (EMI) in Freiburg. Here, extremely sharp still images of specific areas of a vehicle are produced during the highly dynamic crash tests that are conducted. The ultrashort-duration X-ray technology employed enables Mercedes-Benz to examine how safety-relevant invisible vehicle components behave in a crash, which is something that was previously impossible to do in such detail. Vehicle safety experts then combine the data from the "X-ray crashes" with computer-aided simulation models to create highly dynamic 3D simulations. Mercedes-Benz believes this approach will make crash forecasts based on the simulation more precise and enable an even more targeted optimization of safety-relevant components – and the test results to date confirm this assumption. In the next step a ⓘ linear accelerator will be used to increase the X-ray image recording speed. This particular technology is still in its early stages, and initial results are not expected until sometime in 2021 at the earliest.

Mercedes-Benz Cars is setting trends in the area of vehicle safety

Mercedes-Benz has been building test vehicles known as Experimental Safety Vehicles (ESF) since the 1970s in order to analyze the performance of its safety systems. The current ESF 2019 presents more than 20 new ideas from Mercedes-Benz, as well as new approaches in the field of active and passive safety, including near-series developments. The new S-Class, for example, will be the world's first production vehicle to offer frontal airbags for the rear occupants on both sides, in a system that was initially presented in the ESF 2019. In the event of a severe frontal collision, the airbags offer better protection for rear-seat occupants wearing seat belts – and for this reason the system received Daimler's in-house Innovation and Pioneers Award. The ESF 2019 also contains innovations that can only be implemented over the medium term, as well as other innovations that should initially only be considered "food for thought."

The ESF 2019, which is based on the Mercedes-Benz GLE (of the current series), can be driven both manually and in a highly automated mode (ⓘ SAE-Level 4). As we move closer to automated driving, requirements for vehicle technologies and occupant protection systems are changing, and the ESF 2019 reflects these

new demands relating to future mobility. The primary issue addressed in the research vehicle is all-round driver safety: When the ESF 2019 is driving in a highly automated mode, the steering wheel and pedal cluster are retracted to reduce the risk of injury during a crash, for example.

Trust will play an important role in gaining social acceptance for automated vehicles – people must immediately and intuitively be able to recognize what the vehicle intends to do. Cooperative communication with the vehicle's surroundings is correspondingly important – it's a question of how the automated vehicle communicates with other road users. Among other things, the ESF 2019 indicates when it is allowing a pedestrian to cross the road in front of it or when it is yielding the right of way to another vehicle approaching from the side. In addition, the vehicle can warn other road users of potential danger even when it is parked.

High-voltage systems and batteries are comprehensively secured in electric vans

As is the case with fuel tanks in vehicles with combustion engines, special attention is paid in electric vehicles to safety aspects relating to batteries and other electrical components. A high degree of conceptual safety is guaranteed to begin with by virtue of the battery's especially protected installation position under the vehicle floor. However, Mercedes-Benz Vans also utilizes additional safety specifications that go beyond the legal requirements and increase the intrinsic safety. For example, special shielding in the vehicle underbodies of our electric vans – the eVito, eSprinter, and Mercedes-Benz EQV (combined electrical consumption: 26.4–26.3 kWh/100 km; combined CO_2 emissions: 0 g/km)[1,2] – make our batteries particularly highly resistant to mechanical damage from external sources. The drivetrain, high-voltage battery, and all high-voltage lines are embedded in a protective structure. All high-voltage lines are extensively insulated.

Our vehicles are also equipped with a multi-stage safety system that includes temperature and voltage monitoring features, among other things, and can also shut down the batteries in an emergency. If the vehicle systems detect a severe impact, all live components outside the battery are shut down in either a reversible or irreversible process, depending on the situation. The residual energy in the components is also rapidly reduced to a safe level. In addition, the vehicles are equipped with an alternative high-voltage disconnect device that emergency teams can use to deactivate the power supply manually. The location of the alternative high-voltage disconnect device varies depending on the vehicle in question and can be found in each vehicle's rescue sheet.

Vans: Assistance systems now make the Mercedes-Benz Sprinter even safer

The systems installed in the Sprinter include the radar-based Active Distance Assist DISTRONIC and Active Lane Keeping-Assist. The Crosswind Assist is standard; this makes journeys safer, especially at higher speeds. The range of assistance systems is rounded out by the modular Parking Package, whose numerous sensors and reversing camera images on the multimedia display make parking and pulling out of spaces easier than ever. A Parking Package with a 360-degree camera is also available. This package includes four cameras that enable the multimedia display to show an all-round, virtual bird's-eye view of the van. The Blind Spot Assist system, which is available as an option, monitors the areas alongside and at the sides behind the vehicle.

Vans: Mercedes-Benz Vito sets new standards for safety once again

Mercedes-Benz equipped the new Vito with two additional safety and assistance systems in the reporting year: Active Brake Assist and Active Distance Assist DISTRONIC. Plans also call for a digital rearview mirror to be introduced in 2021. This mirror transfers images from a camera installed in the rear window to a display on the rearview mirror. This ensures that the driver's view of the area behind the vehicle is not obstructed by headrests, rear passengers, or anything else between the driver and the rear window.

With this new addition, the Vito will in the future have a total of 13 systems that ensure greater safety and comfort on the road. Here Mercedes-Benz is building on its history of setting high safety standards, as the Vito panel van was one of the first vans to be equipped with driver and front-passenger airbags and seat belt warning systems for the driver's and co-driver's seat as standard equipment. Moreover, the Crosswind Assist and Attention Assist systems have been standard equipment in the Vito for five years now.

Daimler Trucks & Buses drives forward commercial vehicle accident research

The top priority at Daimler Trucks & Buses for all model series is to completely prevent accidents or at the very least mitigate their consequences. For this reason, new and more effective safety and assistance systems for the trucks are continuously being developed and existing systems are being optimized as needed. Commercial vehicle accident research plays a key role here, as accident analyses lay the foundation for achieving improvements to the vehicles. This approach has a long tradition: Since 1972, the commercial vehicle accident researchers at Mercedes-Benz Trucks have been examining selected accidents with trucks from Mercedes-Benz throughout Germany and documenting data on how these accidents occurred and proceeded, as well as information on the vehicles involved and the damage they incurred.

1 The electricity consumption and range were determined on the basis of Commission Regulation (EC) No. 692/2008. The electricity consumption and range are dependent on the vehicle configuration.
2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

We developed and introduced many of our solutions before such systems became legally required, one example being Active Brake Assist. In line with our goal of preventing even more accidents, we continuously further develop our systems and are increasingly installing them in our vehicles.

Continuous further development of assistance systems at Mercedes-Benz Trucks
Active Brake Assist 5 (ABA5) – the fifth generation of our braking assistance system and the latest solution from Mercedes-Benz Trucks – uses a combination of a radar and a camera system. Along with performing emergency braking applications as previous systems did, at speeds of up to 50 km/h ABA5 can also react to moving pedestrians.[3] If the system detects such a situation, ABA5 emits visual signals and acoustic warnings. If the driver fails to react, ABA5 can automatically initiate a brake application and also bring the vehicle to a standstill if necessary.[3]

The new Actros offers even greater safety with its optional Active Drive Assist system for partially automated driving (SAE Level 2); the MirrorCam system, which replaces exterior mirrors; and the Sideguard Assist system, which can detect pedestrians and cyclists in the vicinity of the vehicle. Since 2016, the Mercedes-Benz Sideguard Assist (S1R), which is fully integrated into the vehicle architecture, has been available ex works for many models of the Actros, Arocs, and Econic model series, and since 2019 it has also been possible to retrofit it in numerous trucks from those model series (for vehicles from model year 2017 on).

For the Atego and those Actros, Antos, or Arocs model series that cannot currently be equipped with the Mercedes-Benz Sideguard Assist S1R (either fully integrated or as a retrofit), Mercedes-Benz Genuine Accessories has been offering Sideguard Assist basic as a retrofit solution since the middle of 2020.

Mercedes-Benz Trucks is planning to begin introducing Active Sideguard Assist (ASGA) as an alternative to Sideguard Assist S1R in June 2021. This new driving assistance system can do more than just warn truck drivers of moving cyclists or pedestrians detected on the passenger side, as it can also independently brake the vehicle at a turning speed of up to 20 km/h – down to a complete standstill.[3] Mercedes-Benz Trucks is the world's first truck manufacturer to offer such a system with an active braking feature.

Mercedes-Benz Trucks has also further developed the Active Drive Assist (ADA) system for partially automated driving (SAE Level 2). The latest generation of ADA 2 should be launched in June 2021. The system can initiate an emergency stop if it detects that the driver is no longer reacting to the driving situation at hand – e.g. if the driver is experiencing a medical emergency. Before that, ADA 2 will visually and acoustically prompt the driver to take hold of the steering wheel. If after a period of 60 seconds the driver fails to respond to repeated warnings by moving the steering wheel, accelerating, braking or operating vehicle systems – on the steering wheel, for example – the truck can slow down and brake to a standstill. While doing so the truck warns vehicles behind by turning on the hazard lights. When the truck comes to a standstill, the system can automatically engage the new electronic parking brake. The truck is also unlocked to allow emergency services and first responders to gain access to the interior and the driver in the case of a medical emergency. The initiated emergency stop can also be aborted at any time if the driver takes control of the vehicle again.

Trucks: Freightliner Cascadia with Active Brake Assist
More and more safety systems are also being installed at Daimler Trucks North America. The Detroit Assurance 5.0 safety package, which includes Active Brake Assist 5 (ABA5), is standard in the Freightliner Cascadia, for example. Adaptive cruise control, which can be engaged starting at 0 km/h, can automatically keep the truck a safe distance from vehicles ahead – even in stop-and-go traffic. These and many other systems, such as Sideguard Assist, Lane Keeping Assist, and Steering Assist, make the Cascadia the first production truck in North America to be equipped with partially automated driving features (SAE Level 2).

Daimler Trucks Asia is a pioneer in vehicle safety
Daimler Trucks is also helping to improve traffic safety in India with vehicles from its BharatBenz brand. Trucks in the Indian market are normally based on ⓘ cowl chassis, which are delivered ex works without a vehicle body. This creates major safety issues. Trucks from BharatBenz are therefore offered with complete cabs, the ABS anti-lock braking system, and other standard safety features.

Safety is also paramount at Daimler Truck's FUSO subsidiary in Japan. For example, the Aero Queen and Aero Ace coaches come with safety systems such as Active Sideguard Assist (ASA), which in Japan has a warning function but no emergency braking feature. The touring coaches are also equipped with Active Brake Assist 4 and 5. These touring coaches and the Aero Star city bus are also equipped with the Emergency Driver Stop System (EDSS), which can enable passengers to safely bring the bus to a complete stop by pressing a button in the event that the driver loses consciousness or is no longer capable of safely operating the vehicle. FUSO is also one of the first commercial vehicle manufacturers in Japan to install the Active Attention Assist system in many touring coaches as standard equipment. Active Attention Assist issues a warning at the first signs that the driver is becoming fatigued or inattentive – for example if the system's camera detects that the driver's eyes are closed or that he or she is looking toward the side of the vehicle for an extended period of time.

Assistance systems adapted to specific requirements make city and inter-city buses safer
Buses also need to be equipped with special protection systems that meet the stringent safety requirements for bus transport.

3 Within the framework of the system limits/physical limits

The safety concept employed at Daimler Buses is made up of many components. This concept centers around vehicle and application-specific safety systems that improve active and passive safety for buses.

Specialized systems designed to address the specific challenges associated with city traffic are particularly needed in urban settings. One example is Preventive Brake Assist, the first-ever active braking assistance system for use in city buses. The system warns of a potential collision with moving pedestrians or stationary or moving objects and can automatically brake the bus within its system limits if there is a risk of collision.

Turning maneuvers in cities also present potential dangers. That's why Mercedes-Benz and Setra are the world's first two bus brands to offer Sideguard Assist with pedestrian detection. The system can inform the driver when a relevant object is located in the monitoring or warning zone of the bus. This can be a person or a stationary obstacle such as a bollard, for example. The driver is then issued a visual and tactile warning if there is danger of a collision.

Active Brake Assist 5 has been available as an option in the new Mercedes-Benz Intouro inter-city bus series since the beginning of 2021, and the braking assistance system will also be installed in touring coaches in the future.

We are making people more aware of traffic safety issues

Because we are a socially responsible company, we actively address important social issues. A variety of projects that focus on traffic safety are also important to us in this regard.

Interactive roadshow presents traffic safety up close
As early as 2015, Mercedes-Benz launched its SAFE ROADS initiative to increase traffic safety awareness in India. The brand later introduced the initiative in China as well. The interactive roadshow presents traffic safety up close with pictures, exhibits, and expert reports that Mercedes-Benz uses to provide traffic safety information to local residents and increase their awareness of the importance of road safety – especially in countries that still record high numbers of traffic accidents. Since 2015, a "SAFE ROADS India Summit" has been held every two years with representatives from transport agencies and various interest groups. The most recent summit took place in 2019. No other traffic safety awareness events were held in 2020 due to the covid-19 pandemic.

Making children more aware of traffic safety issues
Children are among the road users who are most at risk around the world. That is why Daimler AG established its MobileKids initiative back in 2001. This initiative teaches children between the ages of six and ten how to stay safe in road traffic. More specifically, MobileKids offers training courses and teaching materials worldwide in local languages and also stages activities that make children more aware of the challenges and dangers on roads and streets.

OMNIplus bus driver training throughout Germany
OMNIplus, the service brand for Mercedes-Benz and Setra buses, has been providing training to bus drivers throughout Germany for 28 years now. An average of more than 700 drivers of touring coaches as well as city and school buses participate in OMNIplus courses each year, and around 20,000 people have successfully completed the training courses to date. Participants learn to recognize and avoid dangerous situations in good time, as well as what to do in the event of an accident. They also receive training on technical aspects – for example principles of responsible vehicle maintenance.

How we assess the effectiveness of our management approach

GRI 103-3

Systematic accident research forms the basis for the ability to prevent accidents in an even more targeted manner in the future and offer better protection to vehicle occupants. Our goal is to expand our accident research activities. For example, in addition to studying actual accidents involving current Mercedes-Benz models, our accident research team also analyzes accident data from around the world. Research projects with external partners are also becoming more important. Such projects seek to define standard procedures that can be used to predict the safety potential of future protection systems. We also want to work more closely with existing and new partners in order to continually improve and expand the ways accident and traffic data are collected and analyzed.

Mercedes-Benz car models repeatedly earn top marks in safety tests conducted by independent institutes. Of particular note in this regard are the marks Mercedes-Benz regularly receives from the American Insurance Institute for Highway Safety (IIHS). The IIHS rating assesses both crash safety and accident-prevention and lighting systems. The Mercedes-Benz ↗ C-Class and the ↗ GLE received the IIHS "2020 TOP SAFETY PICK+" distinction for the 2020 model year.

During the reporting year, the European New Car Assessment Programme (↗ Euro NCAP) issued ratings for driving assistance systems in various vehicle models for the first time. The current GLE with its driver assistance package received a rating of "very good." This means that the experts at NCAP believe that among the vehicles in the competitive field, the GLE offers a system with a very good balance as well as a very high degree of effectiveness.

We also received awards for our trucks in 2020. The Actros was named International Truck of the Year 2020 – in large part due to its outstanding safety systems. The award is presented annually by the International Truck of the Year organization to the truck that makes the biggest contribution to road transport innovation in terms of profitability, emissions, safety, and comfort.

Automated driving: Addressing challenges and exploiting opportunities

GRI 103-1

Reliable automated driving systems that require no human operation or relieve drivers of certain responsibilities have the potential to dramatically reduce the number of traffic accidents. Such systems will never become tired or distracted or allow themselves to be influenced by emotions; all of these are factors that frequently play a role in accidents caused by human error.

The potential improvement of traffic safety is not the only benefit offered by automated driving systems. The technology can also enable efficient, resource-saving traffic and can also help to reduce emissions.

Automated driving systems also offer extensive potential for road freight transport in terms of safety, since most accidents in the road freight transport sector are also caused by human error. For example, automated driving systems can support truck drivers in demanding driving situations and on long, monotonous trips.

33 | Ethical aspects also form the basis for the acceptance and safety of our vehicles

1. We support the paradigm shift to increased vehicle autonomy while taking societal and ethical aspects into account.
2. Safety is our top priority, with holistic and sustainable responsibility for all road users.
3. We are developing our automated and connected vehicles on the basis of high legal and technical standards as well as on the basis of ethical principles.

Despite all the benefits, care needs to be taken, as ethical issues and data-protection risks must also be considered as automated driving systems are developed further. Daimler does this as early as the product development stage. An important consideration here is the responsible use of artificial intelligence (AI). AI as a component of self-driving vehicles is particularly important with regard to machine learning, since among other things AI helps the system quickly and reliably identify objects and situations in or next to the roadway.

Along with safety, we believe that the consideration of social, ethical, and data-protection aspects will play a key role in gaining acceptance for automated driving systems.

Paving the way for automated driving

GRI 103-2

Our goal is to continue to develop automated driving systems. We are placing equal emphasis here on technical, legal, and ethical aspects, and to this end we have formulated the following key points:

- Daimler seeks to play a leading role in the field of automated systems. One example here is the new S-Class from Mercedes-Benz, in which the automated DRIVE PILOT and INTELLIGENT PARK PILOT are to be used for the first time.
  Mercedes-Benz is making the leap to conditionally automated and highly automated driving
- Daimler supports the establishment at national and international levels of a reliable legal framework, technical standards, and ethical guidelines relating to the use of the new technology and therefore promotes the broad-based public dialog that is necessary.
- Daimler actively participates in the social and political dialog on the ethical questions that are arising in the context of the new technologies.

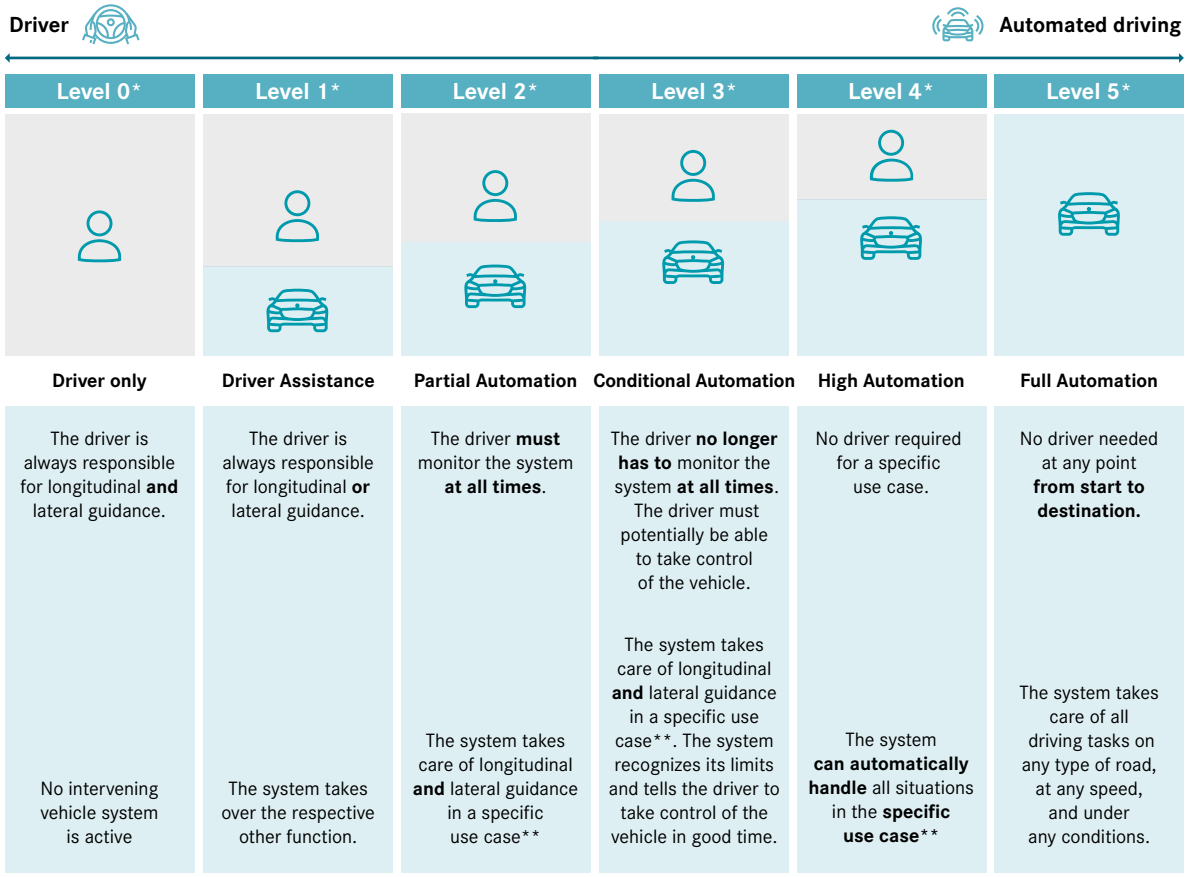
Uniform regulations create safety and trust

New technologies require legal certainty. That's why Daimler is a member of German and international bodies and associations that promote the establishment of consistent legal standards for automated driving. We seek to support the development of a secure legal framework for the technical certification of automated driving systems, and we will continue to monitor the legislative process in this area in the future.

In Germany, the legal basis for automated driving systems is defined by the automated driving amendment to the Road Traffic Act (StVG), which went into effect in 2017. We welcome this amendment because it makes Germany one of the first countries to provide a legal basis for further technological developments. Beyond that, we also believe that the respective national legislation regarding traffic and behavior needs to be further developed in order to establish legal certainty in connection with the use of conditionally automated systems (SAE Level 3). Further changes need to be made to road traffic law if fully automated driving in particular is to become a reality. We therefore also welcome the ↗ initiative of the German federal government for the establishment of an approval framework for the operation of motor vehicles with autonomous driving features.

Other countries have in the meantime created legal frameworks or initiated legislative processes regarding the use of automated driving systems. If the technology is to be launched on the market, not only will amendments have to be made to respective

34 | The various technology stages on the road to autonomous driving



* The designations are those of the SAE. The descriptions below are from the VDA.
** Use cases incorporate road types, speed ranges, and conditions.

national traffic laws; measures will also have to be taken to make it possible to approve and register conditionally and highly automated driving systems for actual use on the road. The United Nations Economic Commission for Europe (UNECE) has established conditions for this by implementing the Automated Lane Keeping System (ALKS) regulation in January 2021. This will make it possible to launch initial conditionally automated systems for use in traffic jam situations on highways in Germany.

In order to enable the cross-border use of automated cars, international harmonization of the relevant legal regulations will also be necessary. These should be as compatible as possible and include the same technological requirements.

This also involves the issue of how the data needed to ensure the proper operation of automated driving systems should be handled. One example is the technical standardization of the driving mode recorder for automated driving systems that is required by law in Germany. Among other things, this device records when an automated system was activated or the driver controlled the vehicle. Experts from the UNECE are currently exploring ways to establish an international technical standard for such a recorder. We support this effort and emphasize the importance and necessity of ensuring data security in such recording technologies. The ALKS regulation already includes technical requirements relating to data storage in the driving mode recorder when the vehicle is driven in the conditionally automated mode.

Responsible development of automated driving systems

The development of automated driving systems presents special challenges. This is why we make use of the instruments in our technical Compliance Management System (tCMS) during the development process. We have formulated specific behavior guidelines for automated driving systems, for example. Complex questions in this area are examined and answered in an interdisciplinary process that takes technical, legal, and certification criteria into account.

Ensuring compliance with technical and regulatory requirements

We also comply with ethical principles and additional internal rules and regulations such as the principles of our data vision and our AI principles for the responsible use of artificial intelligence systems. They also apply to automated driving with regard to the software aspects as well as to social aspects, for example, in relation to hardware. These are based on our corporate values and have also been incorporated into our ↗ Integrity Code. We also comply with our internal tCMS policy and ISO standards 26262 and 21448 for safety-relevant electrical/electronic systems in vehicles.

In addition, our product-development activities are guided by the German government's Ethics Commission's 20 ethical rules for automated and connected driving. We also take into account draft proposals and resolutions relating to planned regulations and standards, and thereby take account of the dynamic developments in the area of automated driving. Furthermore, we also comply with external guidelines such those formulated by AI4People, the Institute of Electrical and Electronics Engineers (IEEE), and the High-Level Expert Group on Artificial Intelligence (EU).

Combining expertise for automated driving systems

We use an integrated approach to answer the technical, social, ethical, and legal questions relating to automated driving. The participants include our experts from research and development, product safety, and quality management – and also since 2018 an interdisciplinary team at the Integrity and Legal Affairs executive division. The team works with engineers, legal advisors, and specialists in data protection, compliance, social sciences, and philosophy to assess the potential impact of new technical developments. It also increases awareness of complex social and legal issues, and develops and implements new solutions. The topics addressed include the responsible use of data in programming processes and the possible changes to behavior in urban environments that might be brought about by the use of new technologies. The objective of this approach is to increase both the safety and the acceptance of our products.

Comprehensive data protection is also important for ensuring public acceptance of automated driving systems. This is why we involve our data protection experts in our concept development processes at a very early stage. The goal here is to develop data-protection-friendly concepts in accordance with the ⓘ privacy by design principle.

Data responsibility

Open technology dialog strengthens trust

We promote an open dialog between business and consumer associations, government authorities, industry representatives, and society at large because we believe that a broad-based social discussion is a prerequisite for the acceptance of automated driving systems.

Since 2015, we have been using the annual "Daimler Sustainability Dialogue" to discuss ethical, legal, and social questions that arise in connection with automated driving systems. The most recent "Daimler Sustainability Dialogue" took place as a digital event on November 5, 2020. Participants in the Traffic Safety working group at the event discussed sustainable traffic safety concepts and other relevant topics. All agreed that traffic safety remains one of the key central issues for the future orientation of our sustainable business strategy.

The participants also talked about the future of traffic safety, above all from a social perspective. The discussion concerned not only the technical reliability of the systems but also the societal changes that might be brought about by the use of the new technologies – and the extent to which people will be willing to accept these changes. Such a dialog regarding their social impact is especially important in order to be able to determine how we can ensure that our technical systems will be accepted by society in the future.

Daimler will focus on the following issues in particular in 2021:

- Support for the creation of a competence center in Freiburg that will conduct research on future traffic scenarios and patterns in order to gain a scientific understanding of the impact the new technologies will have on society.
- Development of arguments for regulating the handling of data as a component of the Federal Ministry of Transport and Digital Infrastructure's traffic safety program for 2030.
- Work on our internal scorecard for traffic safety in order to help us achieve our sustainability targets in this area.

Involvement in committees and associations: We support responsible decision-making

Daimler is a member of numerous national and international committees and associations, including the German Association of the Automotive Industry, the European Automobile Manufacturers' Association, and the working groups of the UNECE. Within the framework of these memberships, we participate in consultation processes regarding new legislation and share ideas and information with political decision-makers.

- Daimler joined the Automated Vehicle Safety Consortium (AVSC) in April 2019. The consortium develops safety principles for automated driving, with a focus on safety tests before and during the use of automated vehicles, data processing and protection, and the interaction between automated vehicles and other road users.
- Since July 2019 we have also been participating in a workshop on "Ethical aspects of the standardization of artificial intelligence in autonomous machines" that is organized by the German Institute for Standardization (DIN). The workshop was part of our participation in a project with DIN and the

German Commission for Electrical, Electronic & Information Technologies. The goal of this project was to create a roadmap known as "Ethical aspects of the standardization of AI." This project, which was completed in April 2020, resulted in the publication in September 2020 of a white paper on "Ethics and Artificial Intelligence." Among other things, the white paper recommends the use of several assessment criteria to ensure that AI applications do not infringe upon human autonomy.

- The ideas outlined in the white paper with the title "Safety First for Automated Driving" (SaFAD) that we published in July 2019 together with leading companies from the automotive and supplier industries are now being incorporated into international standardization processes. The twelve main principles presented in the white paper were used as a basis for the ISO Technical Report TR 4804, which we helped to produce and was published in 2020. Plans now call for the principles to be described in further detail as ISO Technical Specification TS 5083.

- Since July 2019 we have been participating in the research association for "Legally Viable and Efficient Homologation of SAE Level 4 and Level 5 Autonomous Vehicles" (VVM). This association basically picks up where the "Project for the establishment of generally accepted quality criteria, tools, and methods as well as scenarios and situations" (PEGASUS) that was funded by the Federal Ministry for Economic Affairs and Energy left off. PEGASUS was completed in 2019. The association has set itself the goal of developing systems and methods for the safety verification of highly automated and fully automated vehicles and driving functions.

- Since 2019 we have been participating in the ISO TC/241 WG6 through the DIN Standards Committee Road Vehicle Engineering mirror group. The topic of the working group is "The development of recommendations for ethical considerations in connection with autonomous vehicles." The idea here is to firmly establish an ethical perspective in the development process for automated vehicle systems. The International Organization for Standardization (ISO) plans to publish the recommendations in the summer of 2022.

We seek to initiate a public discussion on technical standardization

Automated driving systems will only be approved for road use if they can meet very stringent safety requirements. This is why we are working hard to define the technical standards needed here. The results of the PEGASUS and VVM projects with regard to testing methods and the approval of automated driving functions were presented publicly on a regular basis. We support the continuation of these activities and their harmonization with international efforts in this area – for example within the framework of ISO activities.

In the United States we have published Voluntary Safety Self-Assessments (VSSAs) of our joint projects with our partner Bosch in Sunnyvale, California (SAE Levels 4-5), and of DRIVE PILOT (SAE Level 3) in Long Beach, California and Ann Arbor, Michigan. We use the VSSAs as a basis for interaction with government organizations and other stakeholders and for public discussions with them about our projects.

Mercedes-Benz is making the leap to conditionally automated and highly automated driving

Mercedes-Benz is determined to introduce technologies that enable the safe operation of conditionally automated vehicles and meet the demanding legal requirements for a Level 3 automation system. With DRIVE PILOT (SAE Level 3) and INTELLIGENT PARK PILOT (SAE Level 4), Mercedes-Benz is now taking the decisive step toward conditionally automated and highly automated driving. Both systems are planned to be used in the new S-Class, which means Mercedes-Benz now intends to offer its customers the possibility to turn the task of driving over to vehicle systems in a production model.

We expect that beginning in the second half of 2021, the new Mercedes-Benz S-Class will be able to drive in conditionally automated mode (SAE Level 3) with the new DRIVE PILOT in congested traffic, or in traffic jams, on suitable highway segments in Germany.

Mercedes-Benz is going a step further with parking, as a pre-installation of the INTELLIGENT PARKING PILOT system is available as an option for the new S-Class. This means the new S-Class is already prepared for driverless highly automated parking (SAE Level 4). This function may not be used yet, however – but it will be possible to use it as soon as national legislation permits it, parking facilities are equipped with the necessary infrastructure, and the associated Mercedes me connect service has been activated.

Automated commercial vehicles can increase safety and productivity

Partially and highly automated trucks offer several benefits for our customers, the economy, and society. These include fuel savings and greater efficiency in transportation processes, for example. We also expect that automation can improve the flow of traffic, particularly on highways. More than anything else, however, automated trucks can help increase road safety. Under certain conditions, redundant systems and numerous sensors and instruments can reduce the risk of an accident or mitigate the consequences of those accidents that do occur.

Daimler Trucks already offers partially automated driving systems (SAE Level 2). These systems are available in trucks from our Mercedes-Benz, Freightliner, and FUSO brands in our most important markets on three continents.

In commercial transport, highly automated driving (SAE Level 4) is the next step, as this level of automation could further increase safety, efficiency, and productivity. Daimler Trucks focuses on three principles in its research and development activities for automated trucks:

- The safety of vehicle occupants and other road users is our top priority.
- We develop our products in line with the requirements of our customers and in cooperation with them.
- A clear legal and regulatory framework for issues related to vehicle operation and liability must be established.

A major focus of development at Daimler Trucks over the next few years will be to develop highly automated trucks (SAE Level 4) to the series production stage.

We took a major step in this direction by launching a strategic partnership between Daimler Trucks and Waymo in October 2020. In the initial phase of cooperation, Waymo's automated driving technology is being installed in a variant of the Freightliner Cascadia from Daimler Trucks North America that was developed especially for automated driving applications. Waymo and Daimler Trucks want to use highly automated trucks (SAE Level 4) to improve both road safety and fleet-customer productivity. The highly automated Freightliner Cascadia truck (SAE Level 4) equipped with the Waymo Driver system is supposed to be made available to customers in the United States in the next few years. Waymo and Daimler Trucks will also soon be examining possibilities for expanding their activities to other markets and vehicle brands.

The Autonomous Technology Group brings together all of Daimler Trucks' expertise and activities related to automated driving worldwide. This global unit's central responsibilities include the further development and implementation of our overall strategy for automated driving, including all research and development activities, and the establishment of the required infrastructure and network for vehicle operation.

Torc Robotics, a software firm located in Blacksburg, Virginia in the United States, is part of the Autonomous Technology Group. Torc Robotics is one of the world's most experienced companies in the field of conditionally automated driving with highly sophisticated, roadworthy technology. Daimler and Torc Robotics are now jointly testing highly automated trucks (SAE Level 4) on selected public highways – including in Virginia and New Mexico. Previously we had tested the technology for months on closed-off tracks. These tests represent an important further step for Daimler Trucks in its effort to put highly automated trucks that are safe and reliable on the road around the world in the future.

Luminar Technologies Inc., one of the world's leading suppliers of ⓘ lidar hardware and software technology, is also part of the Daimler Truck AG development network. We are working closely together in order to enable Luminar's lidar technology to be used in highly automated (SAE Level 4) applications for trucks moving at higher speeds, such as those commonly reached by trucks in the United States, for example. Activities here relate in particular to object recognition, data processing, and overall system performance. Here we are initially focusing on employing the technology on US highways in order to enable its safe commercial use in production vehicles.

How we assess the effectiveness of our management approach

GRI 103-3

The sound decisions made in our development projects form the foundation for ensuring product safety and technical compliance. Certain potentially feasible future developments are still not addressed in the external provisions and regulations regarding automated driving systems. Interdisciplinary expert and decision-making committees jointly define the requirements for the design of products that are used in automated driving systems.

In addition, all employees at the development departments can submit technical compliance questions to the responsible tCMS units, which then make their decisions within the framework of an interdisciplinary process. During the reporting year, the established tCMS units used this interdisciplinary process to deal with questions related to automated driving.

Data responsibility

Data responsibility

As the digital transformation process progresses, the responsible handling of data is becoming all the more important for our success. Our vision of mobility is one in which the privacy of individuals is protected. We therefore design our products and services with the needs of our customers in mind and make every effort to ensure that data is managed responsibly.

Target	Target horizon	SDGs
Assessment of the effectiveness of the Data Compliance Management System*	**2022**	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Development of a data governance organization – Data Governance Committee – Data and Analytics Board	**2020****	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

* The overall effectiveness of the Data Compliance Management System can only be reliably assessed after it has been used for a certain length of time. Potential improvements are also discovered and realized during this phase.
** Completed

SPURWECHSEL – We are changing lanes

For us, data protection has top priority

Ensuring data security and respecting and protecting the privacy of our customers have top priority for us. This is because our customers' trust is crucial for our success – especially when it comes to people's acceptance of new technologies such as artificial intelligence (AI). As a result, we are one of the world's first automotive companies to define and publish fundamental ↗ principles for the use of this technology.

For us, data protection begins during the design of new products and services and encompasses numerous additional measures for complying with data security requirements. We use an integrated data compliance management system to ensure the systematic and risk-based planning, implementation, and continuous monitoring of all these measures.

The EQS boasts the unparalleled MBUX Hyperscreen

More data results in more opportunities and more challenges

GRI 103-1

The coronavirus crisis has shown us that digital solutions can make our lives much easier. Connectivity, digitalization, and the ability to process large amounts of data will provide huge benefits for mobility in the future as well. Many of our customers already take advantage of live traffic information and other data-based services. In production, greater connectivity makes processes more efficient while digital product planning helps conserve resources. Data-based products also benefit our customers when it comes to sales and service.

However, while data opens up new business opportunities, its use also requires great care. Data is a sensitive commodity that is worthy of the protection offered by a strict legislative framework. The regulatory requirements relating to data protection in particular have become much more stringent in recent years. For example, the implementation of the European Union's General Data Protection Regulation (GDPR) has resulted in additional requirements that companies are obligated to meet when they handle personal data. The general public is also now more aware of this issue, so the responsible handling of data has become crucial in terms of a company's ability to compete on the market.

However, the GDPR is not the only challenge facing companies that operate on an international scale. After all, concerns about data protection are not limited to Europe, and throughout the world many countries in which the Daimler Group operates have tightened their national data protection laws. Moreover, different societies also have different expectations with regard to data protection.

How we assume data responsibility

GRI 103-2

Data responsibility involves more than just data protection. Daimler is taking on this responsibility by pursuing a holistic data governance approach that covers not only legal but also cultural and organizational aspects. The key aims are the sustainable design of data-based business models and the responsible handling of data in the interests of our customers, employees, and other stakeholders. In order to achieve these goals, we have taken a number of measures, for example, employee training or the provision of in-depth information to our customers. We have also established a Group-wide Data Governance System that consists of our Group-wide Data Governance Structure, our data vision, our data culture, and our Data Compliance Management System.

Our Data Governance Structure is promoting the digital transformation

The Group-wide Data Governance System was developed at the Board of Management's Integrity and Legal Affairs division. As part of the process for implementing the Data Governance System, Daimler created a Data and Analytics Board for every division in 2019 and 2020. The Data and Analytics Boards are made up of cross-functional teams of managers who perform data-related tasks. These teams meet regularly to promote the digital transformation at the divisions on the basis of the measures prioritized by the Board of Management. All the relevant specialist units coordinate their current data analysis projects within these boards and create the basis for the efficient and responsible use of data. Specialists at the Integrity and Legal Affairs Board of Management division monitor the projects from the beginning in order to help ensure that they are conducted in compliance with all relevant laws.

We have also set up a Data Governance Committee at the Group level. This committee defines policies regarding core company-wide issues relating to data management, information security, data protection, and data compliance and makes business policy decisions on the way in which the company handles data.

Each division is responsible for the operational implementation of our strategic data responsibility goals. Consequently all the divisions at the Daimler Group have launched a corresponding program for the creation of specific processes and systems that ensure the responsible use of data.

Our data vision provides the framework

Daimler's data vision describes our commitment to the sustainable and responsible handling of data. It provides all Daimler Group employees with a clear frame of reference for the handling of data. We have made our Daimler data vision known throughout the Group and also included it in the current version of our ↗ Integrity Code.

The core guiding principles governing data handling include transparency, choice, and security. We would like customers to be aware of which data is being collected, when, and for what purpose. To this end, we provide them with in-depth information in our sales materials, on vehicle websites, in apps, in operating instructions, in the terms of use and, wherever possible and expedient, directly in the vehicle itself. Our goal is to ensure that our customers can decide for themselves which services they actually use and which data they would like to share – either by consent, by contract, or at the touch of a button. For example, customers can activate and deactivate Mercedes me connect services at any time at the portal. Our customers' expectations concerning high standards of security apply equally to data security in our vehicles. We continually refine our data security measures in line with advances in IT in order to protect existing data against manipulation and improper use.

For us, ensuring effective data protection and data security in vehicles is an integral component of product development. Even during the design stage of new vehicles and functions and the conception of digital business models, our developers make sure that these systems promote and ensure data protection. Many of the current model series already offer technical conveniences such as live traffic information and active traffic jam assistants that are based on the processing of data. In addition, we are paving the way for more innovations. The data-protection-friendly design of connected vehicles, automated driving functions, and other new services and applications is a focus of our product-related data protection activities in line with the privacy by design concept.

Our Data Compliance Management System ensures that we adhere to regulations

Within the framework of the implementation of the European Union's General Data Protection Regulation (GDPR), we have consolidated all existing data protection measures, processes, and systems throughout the Group into a single Data Compliance Management System. This system is based on the Daimler Compliance Management System.

Our Data Compliance Management System supports our systematic planning, implementation, and continuous monitoring of measures to ensure compliance with the data protection requirements. It takes into account the existing applicable data-protection regulations. For our Group companies in the EU, the GDPR is particularly relevant; for our Group companies outside the EU, the relevant local data protection laws apply. We incorporate additional areas of the law that are relevant to data use into this system as needed in order to identify and address possible risks.

How we manage data protection and data compliance in our organization

For the establishment of the Data Compliance Management System we have created the Data Compliance unit within the compliance organization. This unit defines the individual elements of the Data Compliance Management System and controls their implementation throughout the Group. The tasks of the unit also include carrying out the annual Data Compliance Risk Assessment and establishing the Data Compliance Program, which includes all of the measures needed for implementing the Data Compliance Management System. Among other things, these measures include compliance with the formal requirements of the GDPR as well as the introduction of a processing list for meeting our documentation obligations. In addition, the unit is responsible for managing Group-wide data compliance monitoring and reporting processes. It also conducts numerous communication and training measures and offers some data protection consulting services.

A key interface for the Group-wide data compliance management is provided by the Chief Compliance Officer, who reports on data compliance developments to the Board of Management member responsible for Integrity and Legal Affairs on a regular basis and also submits quarterly reports to the Board of Management as a whole.

Furthermore, the Chief Officer Corporate Data Protection performs the tasks required by law to ensure compliance with data protection rules. Together with his team, he monitors compliance with data protection laws and the Daimler Data Protection Policies. His tasks also include handling complaints regarding data protection and communicating with the regulatory authorities for data protection. In addition, he initiates communication and training measures and provides consultation. For example, he informs and advises the responsible individuals and specialist units, particularly with regard to data protection impact assessments. He is independent and reports to the Chief Compliance Officer.

Our approach to the effective management of data protection also relies on local contact persons at our numerous sites and facilities around the world. We have appointed a Local Compliance Officer or a Local Compliance Responsible for every Group company and corporate unit. This individual helps the local management implement the data compliance measures. We specifically prepare these local contacts for their new tasks and support them with training courses and consultation.

Our guidelines for the responsible use of data

Data Protection Policy EU: The standard for processing EU-related data
Our revised Data Protection Policy EU uses the GDPR as the basis for defining the standards for handling the EU-related personal data of employees, customers, and business partners. It takes into account the special regulatory environment in Daimler's core market of Europe. This policy also includes binding corporate rules for Group companies that are located outside the area subject to the GDPR but which nevertheless, as the recipients of cross-border data transfer, process personal data to which the GDPR applies. Our Data Protection Policy EU has been submitted to the responsible supervisory authority in Baden-Württemberg for approval as binding corporate rules as defined by the GDPR.

Our Global Data Protection and Information Policy regulates data compliance worldwide
Our new Global Data and Information Policy forms the foundation for the responsible, legally compliant, and ethical handling of information and data. It creates transparency with regard to responsibilities and roles in a data- and information-based environment. It defines the goals, principles, and organizational structures, and also stipulates the measures that are needed to establish the data compliance processes. The policy also includes global standards for data compliance that are designed to ensure that a uniform level of data protection exists worldwide throughout the Daimler Group. This level of data protection represents a minimum standard that is supplemented by the provisions of the Data Protection Policy EU and the applicable local data protection laws.

AI principles provide orientation for the responsible use of algorithms

Artificial intelligence (AI) is playing an increasingly important role for the future of the automotive industry. As a result, in 2019 Daimler AG became one of the first automobile companies in the world to define and publish a framework for the responsible use of AI. Its cornerstones are the four AI principles: responsible use, explainability, protection of privacy, and safety and reliability. They supplement the principles of our data vision and are an important part of our company's digital responsibility.

The AI principles are based on our corporate values and have also been incorporated into the Daimler AG Integrity Code. They were developed in a broad-based, cross-unit dialog process. Their aim is to provide our employees with guidance for the development and handling of AI and to continually improve the quality of our products and services in order to increase people's trust in our company.

We increase people's awareness of the responsible handling of data within the company

As part of its data-driven transformation, Daimler is promoting the more active use and responsible handling of data. The seven principles of the Daimler data vision provide us with a framework for these activities.

In order to establish our data culture throughout the Group, it is important that all of the employees embrace these principles and put them into practice in their daily work. To this end, we launched extensive information and training measures for all employees in 2020. These include communication measures to sensitize the employees to the seven guiding principles. Practical questions are used to explain the significance of these principles.

Moreover, various online training courses enable our employees to address the topics of data culture and data governance. They are trained in the responsible use and sharing of data and taught how to increase transparency and data quality. In addition, the Data Navigator and the Digipedia provide all employees with two platforms that contain all of the key information as well as numerous data-related learning opportunities.

Every three years, all employees at our controlled Group companies who have e-mail access must complete the Integrity@Work online training course, which also raises their awareness of data protection issues. Furthermore, we offer voluntary training modules for employees who wish to learn more about data protection and the GDPR. However, GDPR training courses are mandatory for certain managers. In addition, local management at every Group unit can require employees to participate in these courses. Thanks to our IT-supported Learning Management System, all training measures are available around the globe.

Employees from units where data protection is particularly relevant, such as human resources, sales, and development, are trained in person by the respective Local Compliance Officer or Local Compliance Responsible (either in classrooms or online). We produce annual training plans for units at the Group that are subject to high data protection risks. Participation in the training courses is documented as well.

The onboarding process for new managing directors at Group companies also includes an overview of Daimler's Data Compliance Management System. All managers can also conduct their own independent study program using the data protection sections in the Corporate Governance Navigator on the Group intranet.

The local data protection compliance organization plays a key role in terms of compliance, consulting, and the implementation and monitoring of compliance measures. In addition to the aforementioned courses, our Local Compliance Officers and Local Compliance Responsibles at Group units with a medium or high data protection risk classification also take part in an interactive data compliance qualification program that runs for several days. In this program, they obtain basic knowledge about data protection law and receive instruction on how to handle specific tasks. Local Compliance Officers and Local Compliance Responsibles at Group units with a low data protection risk classification take part in a video-based training program with the same type of content.

We recognize and assess data-related risks and take precautionary measures

A key component of the Data Compliance Management System 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 results of this analysis form the basis for managing and minimizing risks. They enable us to adopt a risk-based approach for the further development of our Data Compliance Management System.

The assessments 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. First, the Data Compliance unit makes an assessment on the basis of internal and external information. This includes, for example, an examination of data processing indicators that result from normal business operations and an analysis of the regulatory environment in the country in which the given Group unit is located. Data Compliance uses these indicators to determine whether the Group unit in question is exposed to particular risks and therefore needs to be looked at more closely. In such cases, Data Compliance also makes use of information from the Divisional/Regional Compliance Officers' network for its risk classification. The Chief Compliance Officer and the Divisional/Regional Compliance Officers' network confirm the results of the annual Data Compliance Risk Assessment and report these results to the Board of Management and Supervisory Board committees of Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Mobility AG.

We reduce information technology risks

The systematically pursued digitization strategy enables Daimler to utilize new opportunities to increase customer benefit and the value of the company. Nonetheless, the high penetration of information technology (IT) at all divisions also brings risks for their business and production processes, as well as for their services and products.

The ever-growing threat from cybercrime and the spread of aggressive malicious code brings risks that can affect the availability, integrity and confidentiality of information and IT-supported operating resources. Despite extensive precautions, in the worst-case scenario, this can lead to a temporary interruption of IT-supported business processes with severe negative effects on the Group's earnings. In addition, the loss or misuse of sensitive data may under certain circumstances lead to a loss of reputation. In particular, stricter regulatory requirements such as the EU Data Protection Directive may, among other things, give rise to claims by third parties and result in costly regulatory requirements and penalties with an impact on earnings.

It is essential for the globally active Daimler Group and its wide-ranging business and production processes that information is available and can be exchanged in an up-to-date, complete and correct form. Daimler's internal framework for IT security is based on international standards and its protective measures also apply industry standards and good practice. New regulatory requirements for cyber security and cyber security management systems are taken into account in the further development of our processes and policies. Appropriately secure IT systems and a reliable IT infrastructure must be used to protect information. Cyber threats must be identified over the entire lifecycle of applications and IT systems, and dealt with in line with their seriousness. Particular attention is paid to risks that could result in the interruption of business processes due to the failure of IT systems or which could cause the loss or corruption of data. The advancing digitization and connectivity of production equipment is accompanied by coordinated technical and organizational security measures.

Due to growing requirements concerning the confidentiality, integrity and availability of data, Daimler has implemented various preventive and corrective measures so that the related risks are minimized and possible damage is limited. For example, the Group reduces potential interruptions of operating processes in data centers by means of mirrored data sets, decentralized data storage, outsourced data backups and IT systems designed for high availability. Emergency plans are developed and employees are trained and regularly sensitized in order to maintain operating capability. Specific threats are analyzed and countermeasures are coordinated at a globally active Cyber Intelligence & Response Center. The protection of products and services against the danger of hacking and cybercrime is continually developed.

The possible impact and probability of occurrence of information-technology risks are unchanged compared to the previous year.

We systematically investigate all complaints

GRI 418-1

The Daimler Group has established a central round-the-clock reporting system for all incidents involving information security: the Information Security Incident Management Process. Employees and contractors are instructed to report all potential personal data breaches via this system. Incidents relating to data protection that occur at units subject to the provisions of the GDPR are addressed by the Corporate Data Protection unit, which is assisted in its investigations by local Incident Support. The Corporate Data Protection unit then issues a recommendation to the local management team as to whether supervisory authorities must be informed of the incident and whether those affected by it must be notified within the period stipulated by law. Local Incident Support departments handle incidents relating to data protection that occur at units that are not subject to the GDPR. Together with the local management teams, these departments decide whether supervisory authorities must be informed of an incident and whether those affected by it must be notified as well. Here, the Corporate Data Protection unit can be brought in for support at any time. The results of all investigations have to be submitted to the Corporate Data Protection unit for documentation purposes.

During the reporting year, a small number of cases were reported to the responsible regulatory authorities for data protection. The authorities did not take any measures against the company in response.

Along with its Incident Management Process, Daimler also has in place for all compliance issues a whistleblower process that employs a fair and adequate approach to investigate reports on incidents that pose a high risk to the company and its employees. The Data Compliance unit teaches all Local Compliance Officers and Local Compliance Responsibles how to address complaints. These courses provide information on both local data protection provisions and the requirements defined in the GDPR.

Working together for a fair partnership: Whistleblower System BPO

The contact details of the Chief Officer Corporate Data Protection are publicly available, and customers can direct their questions or concerns regarding data protection to him or his team at any time. The number of complaints received by Corporate Data Protection was lower than in the previous year. Data protection regulatory authorities conducted investigations in response to customer complaints. This figure was in the low single-digit range and was also lower than in the prior year. No measures were taken against the company as a result of any of these investigations.

How we assess the effectiveness of our management approach

GRI 103-3

Our Data Compliance Management System is being implemented continuously. An annual monitoring and reporting process helps us to investigate the extent to which the previously defined measures have been implemented and the associated goals have been reached. For example, our compliance organization continually assesses the adequacy and effectiveness of the Compliance Management System. We also document in our compliance reporting system any areas where action needs to be taken. In 2020 the effectiveness review showed that the implementation of the measures progressed considerably throughout the Group. Remaining areas of action were made transparent. The compliance organization uses the knowledge gained from the review to adjust the system to take into account changes to the risk situation and new legal requirements.

Human rights

Human rights

As an internationally operating company, we bear responsibility for respecting and upholding human rights along our entire value chain. This is why we conduct risk-based and systematic monitoring to ensure that human rights are upheld at our Group companies and by our suppliers. In order to procure raw materials in a responsible manner, we also work together with associations, organizations, and other companies in various projects and initiatives.

Target	Target horizon	SDGs
In the first step regarding our **services supply chains**, our goal is to conduct an initial **review** of **100%** of our service commodities that pose a high risk of human rights violations in the period **through 2021**.	**2021***	
Our objective for the period through 2025 is to **review 70%** of all the **production raw materials** we use that pose a high risk of human rights violations and to define any necessary remediation measures.	**2025****	
Our objective for the period through 2028 is to **define and implement appropriate measures** for addressing **100%** of our **production raw materials** that harbor a higher risk of human rights violations.	**2028**	

* Target already achieved in 2020
** Interim goal: By the end of 2021, we plan to scrutinize 30 percent of all high-risk raw materials.

SPURWECHSEL — We are changing lanes

Obligation and mission: We respect human rights

Respect for human rights has key importance for Daimler and is an obligation as well as a mission. Our due diligence obligation for ensuring that human rights are upheld is correspondingly a focal topic of our sustainable business strategy. To this end, we provided measurable targets and key figures for our human rights approach.

As a responsible company, Daimler is firmly committed to the UN Guiding Principles on Business and Human Rights and the German government's National Action Plan for Business and Human Rights. These standards also serve as the basis for numerous measures that we have implemented in order to make sure we meet our due diligence obligations with regard to human rights along the entire value chain. The basis for this is the Human Rights Respect System (HRRS) that we developed. We use it to make a risk-based and systematic assessment of the respect for human rights in our Group companies and the supply chain.

We focus on human rights

GRI 103-1

The expansion of electric mobility is also further increasing public interest in respect for human rights within the automotive supply chain, because the production of electric motors and batteries requires the use of raw materials such as lithium and cobalt. These raw materials partly come from countries where there is a risk that they are mined under conditions that could be critical from a human rights standpoint.

We have also noticed a growing interest in human rights on the part of investors, which indicates that human rights are having an increasing influence on investment decisions. Last but not least, legislators, including those in Germany and the European Union, are increasingly addressing this issue. In order to implement our sustainability requirements along the supply chain, we advocate the creation of uniformly accepted standards – ideally at the international level. Legal regulations can help create such standards and provide legal certainty. In this context, it is important that regulations continue to create equal competitive conditions in the future in order to promote fair competition and strengthen human rights in global value chains. To this end, the scope of companies' responsibility for due care regarding human rights must be clearly defined. Due diligence obligations should be limited to the actual extent of economic and legal influence along the supply chain. This is the only way we can ensure that measures are adequate and can be implemented.

Respecting and upholding human rights is an essential part of our understanding of sustainable and ethical behavior. One important aspect is that the nature of critical human rights issues varies among regions and suppliers and also depends on the raw materials, service providers, and supply chains in question. In our activities related to respecting and upholding human rights, we therefore not only take into account our own plants and facilities but also include risk-based analyses of the entire supply chain.

How we have embedded respect for human rights within the Group

GRI 103-2

The Social Compliance department, which was founded in 2019, is in charge of the implementation of our human rights due diligence approach (HRRS). Additional cross-functional teams work closely together in order to come up with suitable preventive activities and countermeasures. The teams consist of human rights and compliance experts, as well as staff from the operational procurement units and, when needed, from other specialist units as well. The specialist units are responsible for implementing the measures and following them up.

The Integrity and Legal Affairs executive division of Daimler AG is responsible for the overarching activities related to human rights. In line with her agreed-upon objectives, the responsible member of the Board of Management works with the procurement units on further developing human rights compliance and also receives regular information and reports on human rights activities from the Chief Compliance Officer and from the corresponding 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 and the Board of Management members who are directly responsible for the units in question. The Procurement Council generally meets once each quarter. It is composed of the heads of Daimler's three procurement units. The entire Board of Management is in charge of human rights issues and is regularly informed about these by all the participating experts who specialize in this field. In addition, the Group Sustainability Board (GSB), which consists of the responsible Board of Management members, meets every quarter. It reviews the progress of our human rights program within the context of our sustainable business strategy, using specially developed key performance indicators. Moreover, the respective specialist units report to the GSB. They also report to the Group Board of Management once per year and as needed.

Another important body is the Advisory Board for Integrity and Corporate Responsibility, which consists of independent external members from the science and business communities and civil society and serves as an important source of momentum for Daimler. The board holds regular meetings with members of the Board of Management and other Daimler executives. During the year under review, it also held a joint meeting with the Board of Management and the Supervisory Board. The agenda included current issues and challenges, such as Daimler's approach to ensuring respect for human rights in its supply chain.

Sustainable corporate governance

The following policies and frames of reference provide us with orientation

The following frames of reference are particularly important for our human rights activities and policies:

- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- The Universal Declaration of Human Rights, including the relevant provisions from the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights
- Germany's National Action Plan on Business and Human Rights
- Core Labour Standards of the International Labour Organization
- The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

The most important human rights issues that we have identified for ourselves were derived from this frame of reference. They include the following:

- Equal opportunity and a ban on discrimination
- Freedom of association and collective bargaining
- Health and safety
- Fair remuneration and working times
- Forced labor
- Child labor

These issues are also reflected in the stipulations of our Integrity Code and the Daimler Supplier Sustainability Standards. Our Integrity Code was approved and adopted by the entire Board of Management as a Group-wide policy. Our key human rights issues also serve as the basis for our human rights due diligence process and for our specific measures in high-risk Group companies and supply chains.

We systematically assess human rights risks

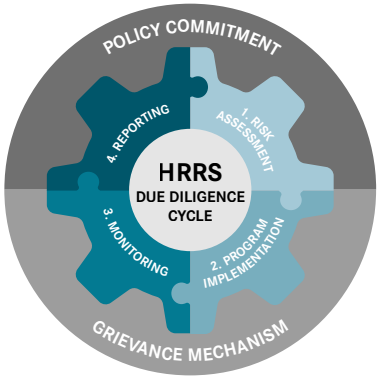
To ensure that human rights are respected and upheld, we have developed a due diligence approach: the HRRS. We use this system to monitor our own Group companies, our direct suppliers (Tier 1) and, on a risk basis, suppliers beyond Tier 1.

The HRRS due diligence cycle comprises four steps (risk assessment, program implementation, monitoring, and reporting) and is designed to systematically identify and avoid risks and possible negative effects of our business activities on human rights early on and to initiate adequate measures, should this be necessary. This cycle is derived from our policy commitment regarding respect for human rights, which is part of our Integrity Code and as such is valid for all of our employees. Our company's own complaints mechanism, the Whistle Blower System Business Practices Office (BPO), is available for accepting any complaints. In addition to protecting the company, the HRRS thus also primarily protects third parties (the rights-holders). As a result, the HRRS also involves consultation and discussions with rights-holders – for example, with our employees and their representatives, as well as with external third parties such as civic organizations and local residents.

External stakeholders are regularly involved as Daimler continues to expand the HRRS step by step. Among other things, we hold talks with international NGOs concerning the human rights risks arising from the extraction of certain raw materials. For example, we have invited specialized NGOs and trade unions to give us their opinion regarding the measures that Daimler has implemented to date with respect to cobalt, mica, and lithium. In addition, we have asked them to make suggestions and show alternatives that help to improve the situation of the affected individuals or communities. The scope and frequency with which we ask NGOs and other civil organizations for advice depends on the issue in question and the stage of our risk assessment.

We also conduct an annual "Daimler Sustainability Dialogue". At this event, we discuss and evaluate our progress as well as the challenges that arise during the implementation of our management approach. The specialist units subsequently evaluate the results and the stakeholders' suggestions and incorporate them into their work processes. The results are also published on our website.

35 | The Human Rights Respect System (HRRS)



4. Reporting
Regular and standardized reporting

1. Risk assessment
Systematic assessment and evaluation of human rights risks

3. Monitoring
Evaluation of adequacy/effectiveness of the risk assessment and program implementation

2. Program implementation
Definition and implementation of human rights measures, dependent on Group companies or supply chains specific risk assessment

Our due diligence approach to respecting and upholding human rights in four steps.

How we identify and counteract human rights risks in Group companies

GRI 412-1

As part of the integration of the HRRS into the Group-wide Compliance Management System, the Group companies in which Daimler has a majority holding are examined for possible human rights-related risks, analogously to other compliance areas such as corruption prevention.

In the first step, we classify the Group companies according to fixed criteria, including country-specific and business-specific risks. The focus is on the most important human rights issues that have been identified for the Group companies, including employee rights, diversity, and safety. In the process, we take into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and those of the International Labour Organization (ILO).

On this basis we conduct a more thorough analysis every year with the help of a survey regarding human rights and use the findings to derive packages of risk-specific measures. During the reporting period, this newly developed method was used for the first time at Group companies with a higher risk. The local compliance officers, who are part of our global compliance network, provide assistance for the human rights survey at the Group companies. In order to obtain useful insights from the survey, the compliance experts were trained in advance in an in-depth online course that was tailored to their needs. This course enabled them to recognize the human rights risks of our focal areas. It allowed us to identify the specific local risks and explore them further in dialogs with the compliance officers of the respective Group companies.

The results of this more in-depth risk analysis are correspondingly documented and incorporated into the development of targeted measures for minimizing human rights risks. These measures include the provision of documents for the targeted communication of our values and requirements regarding the interaction with employees and business partners as well as the mandatory participation in a comprehensive online human rights training program for managers in high-risk markets. We plan to continuously refine our analyses and risk-minimization measures in the years ahead and to expand them to all Group companies in which we have a majority shareholding. Coupled with this is the development of risk-specific packages of measures that we will supply to the respective Group companies in line with their risk classification. These provide a systematic means of preventing human rights risks.

How we identify and counteract human rights risks in the supply chain for production materials

In addition to our Group companies, we pay special attention to our upstream supply chain of production materials. Here it is especially important to identify and avoid potential human rights risks and negative effects early on.

The human rights risks that we have identified for the supply chain are reflected in the standards for our suppliers (Daimler Supplier Sustainability Standards) and, among other things, encompass child labor, forced labor, and employee rights.

We focus on 24 critical raw materials whose specific focal topics are specified and delimited in a more in-depth risk analysis.

The specific risks can differ, depending on a product's processing stage within the supply chain (e.g. mine, refinery, processing plant or plantation). For example, we have identified child labor, health, and safety as the most urgent human rights risks for cobalt. These risks arise especially in the mining industry. By contrast, the risks associated with the procurement and processing of lithium primarily pertain to the rights of indigenous peoples, which can be affected by the extraction of lithium-bearing salt-water from underground lakes.

We conduct comprehensive human rights assessments for raw materials that pose an increased risk of human rights violations. Our assessment process basically consists of three steps:

1. We create transparency along the raw material supply chains – especially with regard to certain key components such as battery cells.
2. We identify risk hotspots in these supply chains.
3. We define and implement measures for the risk hotspots and make sure that they are effective in the long run.

By the end of 2020 we had assesed 24 percent of all high-risk raw materials in this way, and thus exceeded our goal of 20 percent. We want to gradually increase this percentage. By the end of 2021, we plan to assess 30 percent of all high-risk raw materials. This figure is set to rise to 70 percent by 2025. By 2028, we want to define appropriate measures for 100 percent of our raw materials that pose an increased risk of human rights violations.

With respect to the supply chain, Mercedes-Benz AG and Daimler Trucks AG have also decided to procure only battery cells in the future that contain cobalt and lithium from certified mining locations and at the same time to substantially reduce the proportion of cobalt in the batteries. For this reason, we are making the Standard for Responsible Mining of the Initiative for Responsible Mining Assurance (IRMA), which is recognized throughout the industry, one of the main criteria for our supplier decisions.

You can read more about our measures for respecting and upholding human rights in the supply chain here:

Supply chain

How we raise employees' awareness of human rights issues

GRI 410-1 GRI 412-2

Through our Integrity Code we actively and regularly inform our employees about human rights issues and make them aware of the corresponding risks. The rules contained in the Code are binding for all Daimler employees. Depending on the specific tasks, new employees have to attend mandatory training courses during their induction process. These courses also address human rights issues. The content is also taught in the online training module Integrity@Work, which is mandatory for all employees. In this module, the employees learn, among other things, what significance human rights have for Daimler and what their relevance is in daily work. In September 2020 we also introduced the new training module Sustainability@Work throughout the Group. This module also provides information and raises awareness about human rights issues.

The Local Compliance Responsibles play a key role in upholding human rights within the Group companies. As a result, we developed an online training course in 2020 specifically for Compliance Responsibles and other human rights experts. It raises people's awareness of human rights risks that can arise within Group companies. The thematic focus is on risk areas that were identified during an initial risk analysis: employee rights, diversity, safety, and local conditions. The latter includes, in particular, country-specific respect for civil and political rights. The training course, which is mandatory for Compliance Responsibles in high-risk markets, has been available since July 2020. The course can also be used by Corporate Security's global network in order to raise employees' awareness of human rights risks in security matters and in connection with security services. Employees in administrative units and at controlled Daimler entities completed three different human rights training modules during the reporting year. As a result, employees completed 298,840 human rights-related training courses, which equates into around 25,088 hours of training solely for human rights issues.

Our suppliers are also requested to respect human rights in accordance with our sustainability standards. All of our external suppliers have access to our Compliance Awareness module, which includes a separate chapter dealing with corporate responsibility in the area of human rights.

We rely on high social standards for the work and services contracts of our service providers

Our standards for work service contracts go beyond existing legislation in many areas. These standards define requirements with regard to occupational health and safety, accommodation, remuneration, use of temporary workers, commissioning of subcontractors, and the prevention of illegal false self-employment. These standards are relevant for all contracts that exceed a period of two months and are actually carried out on the business premises of Daimler AG in Germany. All of the relevant work-for-hire contractors or service providers must sign a declaration that they comply with these standards. Only if they fulfill this prerequisite can they receive purchase orders. An auditing team from our procurement department International Procurement Services (IPS) determines whether the standards are being complied with in Germany by selected suppliers.

We consistently investigate complaints

Employees and external third parties can use various channels to report suspected human rights violations and obtain "access to remedy" as defined by the third pillar of the UN Guiding Principles on Business and Human Rights. These channels include our Whistleblower System BPO and the World Employee Committee.

Daimler employees as well as external persons can report suspected violations of laws and internal regulations to the BPO. A globally valid corporate policy ensures a fair and transparent approach and takes into consideration the principle of proportionality for affected parties, while also giving protection to whistleblowers. The policy also sets the standard for evaluating suspected violations and defining the consequences. The BPO can be contacted in any language by post, by e-mail, and via the Internet by filling out a special form. An external toll-free hotline is also available in the respective national language and English in Brazil, Japan, South Africa, and the United States. Reports in foreign languages are translated. Reports can also 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. Whistleblowers can also contact this intermediary if they have clear indications of violations that are connected to Daimler.

After a report is submitted, the BPO makes a risk-based initial assessment of the possible violation. A preliminary legal review is carried out if a case poses a high risk for the company. If a suspected violation is confirmed, the case is forwarded to the responsible investigative unit, which is specifically ordered to investigate the matter.

One of the issues for which the Whistle Blower System BPO is responsible explicitly concerns possible violations of human rights, including violations of the principles of the UN Global Compact. Other human rights-related responsibilities of the BPO include severe cases of sexual harassment, discrimination, and racism.

According to our analyses, there were no cases of suspected child labor, forced labor, or violations against the right to collective bargaining or freedom of association within the Daimler Group in 2020. During the reporting year, the BPO received a small number of reports concerning sexual harassment, discrimination, and racism, which were assessed by the responsible units, such as Corporate Security. Appropriate and adequate consequences were taken in cases in which a suspicion was confirmed.

Working together for a fair partnership: Whistleblower System BPO

How we assess the effectiveness of our management approach

GRI 103-3

We are consistently moving ahead with our efforts to ensure that human rights are respected and upheld at our Group companies and in our supply chains. We made considerable progress during the reporting year: the Board of Management of Daimler AG decided to make human rights-related annual goals relevant for remuneration. Beginning in 2021, the variable remuneration of managers will also be linked to whether the KPI targets for respecting and upholding human rights were met in connection with the procurement of production materials.

During the reporting year, we also started to develop a separate human rights policy, which will apply to all Group companies that are controlled by Daimler.

In addition, we are planning a large number of measures worldwide to ensure that human rights are respected and upheld even more strongly than before and to embed them in the organization. At its core, the aim is to create more transparency, raising awareness for the issue, and measure the effectiveness of our commitment. For example, we want to make the relevant raw material supply chains more transparent, expand our risk analyses for our Group companies, and develop concrete measures for minimizing human rights risks at our service providers as well.

Within the reporting period, we regularly reviewed our human rights measures and adjusted our management approach as needed. Among other things, we have revised our risk analysis for Group companies as well as our human rights questionnaire. We have also taken an initial step toward expanding this more in-depth risk analysis to other Group companies. In addition, we have further refined our approach to the assessment of risk-related raw materials and supplemented it with additional tools and processes.

To enable us to take a targeted approach to addressing the human rights risks of our raw material supply chains, we are orienting our activities on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Our goal is to make our processes coincide as well as possible with the requirements of the OECD guidelines. To this end, we have analyzed our processes in cooperation with the consulting company RCS Global. Moreover, we directly address the identified potential for improvement, e.g. by revising our Supplier Sustainability Standards, which we plan to do in 2021.

During the further development of our management approach for human rights, we also incorporated the feedback from our stakeholders at the human rights working group of the “Daimler Sustainability Dialogue”.

Integrity and Compliance

Integrity and Compliance

We are convinced that companies stay successful only if their actions are ethical and legally responsible. This is especially the case during times of turmoil and transformation such as those we are experiencing today. Integrity and Compliance are therefore top priorities at Daimler.

Integrity is one of our four corporate values, the others being respect, passion, and discipline. Together, they form the foundation of our business activities. At Daimler, ethical behavior means doing the right thing. For us, this includes adhering to laws, aligning our activities with our corporate values, and following our inner compass.

SPURWECHSEL – We are changing lanes

Our five corporate principles guide our behavior

We encourage and enable our employees to consistently uphold our corporate values. They are given orientation by our Integrity Code, which is valid throughout the Group. It defines guidelines for our conduct and helps us make the right decisions – because ethical behavior is especially important in situations where the regulations are unclear or can be interpreted in different ways.

The key element of our Integrity Code consists of our five corporate principles. They provide orientation and are to be put into practice by all of our employees:

- We are profitable and are committed to people and the environment.
- We act responsibly and respect the rules.
- We address issues openly and stand for transparency.
- Fairness and respect are the foundation of our collaboration.
- We practice diversity.

We firmly embed integrity into our corporate culture

GRI 103-1

The automotive industry is undergoing radical change. New fields of business are developing, and they are requiring companies to reorient themselves. Meanwhile, new technologies are raising new questions – both ethical and legal. Moreover, the covid-19 pandemic has led to profound changes all over the world. In such times of change and uncertainty, value-based action matters more than ever.

We are convinced that Daimler will only remain successful in the long run if we fulfill not only our financial responsibilities but also our responsibility to society and the environment. Our stakeholders also expect us to behave in an ethical manner and to follow applicable laws and regulations.

Integrity is therefore a central element of our corporate culture. For us, this involves more than just obeying laws. We also align our actions with shared principles, which particularly include fairness, responsibility, respect, openness, and transparency.

How we make integrity a part of our daily business activities

GRI 103-2 GRI 102-16

At Daimler, integrity, compliance, and legal affairs are combined into a single executive division. The Integrity and Legal Affairs division supports all of our corporate units in their efforts to embed these topics in our daily business activities.

Our Group-wide ↗ Integrity Code is our shared standard of values and defines the guidelines for acting with integrity. It is binding on all employees of Daimler AG and our controlled Group companies. Employees from a variety of corporate units all over the world have helped to formulate the Integrity Code. It is available in ten languages and includes, among other things, regulations concerning regulations concerning corruption prevention, the handling of data, product safety and compliance with technical regulations. For our employees the Integrity Code is available in the Enterprise Rules Database as well as on the intranet, along with all of the key information, including FAQs, points of contact, and contact persons.

In our Integrity Code we have also formulated a special set of requirements for our managers: We expect them in particular to serve as role models through ethical behavior and thus to offer guidance to our employees.

Our Integrity Management unit is responsible for promoting and enhancing integrity within our company and creating a shared understanding of integrity. The goal is to avoid possible risks due to unethical behavior and thus contribute to our company's long-term success. The Head of Integrity Management reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs.

These contact persons help employees who have integrity-related questions

GRI 102-17

The Infopoint Integrity is the central point of contact for employees of Daimler AG and the Group companies when they have questions concerning acting with integrity. The Infopoint works together with experts for legal and HR issues, data protection, compliance, as well as diversity or sustainability. It either provides direct support or connects employees with the appropriate contact partner.

A global network of local contact persons for inquiries regarding integrity, compliance, and legal issues is also available to our employees. The network evaluates the inquiries that are made and, if necessary, initiates the appropriate measures.

In addition, we expanded the Integrity Network during the reporting year. The Integrity Network consists of employees from the individual companies, divisions, and functional divisions of the Daimler Group, and communicates regularly in order to permanently embed integrity into daily business operations. This network also develops and implements concrete measures, which range from dialog events and content and inspiration for management communication to training courses.

We heed the voices of our employees

In 2020 we initiated a variety of measures aimed at embedding integrity even more deeply into the Group. The starting point was the results of the online employee survey ⓘ "Big Picture Integrity," which we had conducted throughout the Group in 2019 in order to evaluate our culture of integrity. The results showed that we have laid a good foundation for a culture of integrity at Daimler.

During the reporting year, the focus was on helping managers conduct the follow-up activities for the results of "Big Picture Integrity." Online sessions supported the managers in interpreting the results and deriving follow-up activities from them. To help them perform this task, they were provided with the Integrity Toolkit. This contains modules that help managers bring integrity to life in daily business and promote discussions about it. The integrity network has also addressed the findings of the employee survey in order to initiate additional measures for the individual divisions and functions of Daimler AG.

The survey results are also directly relevant to our management remuneration system.

↗ **Remuneration Report, AR 2020**

To gain an impression of current attitudes toward the culture of integrity at our company, we conducted an Integrity and Compliance Pulse Check in 2020 as a Group-wide random sample survey that provides representative results. The overall positive results show that we have again made process in the ongoing development of our culture of integrity.

Strengthening ethical behavior by means of communication and dialog

We conduct ongoing knowledge sharing and an open dialog with our employees to ensure that integrity will remain embedded in our company's daily business over the long term. For example, during the reporting year we continued to regularly inform employees about our Integrity Code and its significance for our daily business activities. We have also regularly addressed the topics of integrity, compliance, and legal affairs in our internal media, such as brochures and films.

Our employees can also access the Integrity Toolkit via the Daimler Social Intranet. The Toolkit contains formats for dialog events, tools for self-reflection, case studies, and further information about the topic of integrity.

We also set great store by face-to-face discussions. In 2020 we once again conducted a variety of dialog events with employees at all levels of the hierarchy and with external stakeholders. We conducted all of these dialog events virtually because of the protective measures in force due to the covid-19 pandemic.

With respect to the pandemic, one of the focal points of our communication measures in 2020 was on the associated challenges for ethical behavior. This communication also took place using a variety of digital formats. For the current time of crisis, we also created a new dialog format known as "Das Fundament – Auch in schwierigen Zeiten das Richtige tun" (The foundation — Doing the right thing even in tough times). It supplements the Integrity Toolkit and can be used by all employees in person and in virtual situations. It aims to address the challenges of the "new" daily business operations openly and at an early stage and to overcome them with mutually agreed-upon rules and values.

All of the employees in administrative areas regularly attend a mandatory web-based training about integrity. Because managers serve as role models, they perform an especially important task with regard to integrity, compliance, and legal matters. In order to support them as much as possible in their role, the training program also includes a special mandatory management module.

Training program integrity and compliance 2020 — web-based trainings

How we assess the effectiveness of our management approach

GRI 103-3

Our company's success largely depends on a permanent and reliable commitment to integrity. We are therefore consistently working on our understanding of integrity and refining it further. Moreover, we continually review our own actions. Employee surveys such as the "Big Picture Integrity" and the "Integrity and Compliance Pulse Check" play a key role in this regard. The feedback we receive from our employees serves as a yardstick as well as a compass. We find out where we stand with regard to our commitment to integrity, and the findings enable us to develop and implement specific measures. In addition, since 2012 our integrity management has been extensively supported by the external Advisory Board for Integrity and Corporate Responsibility and further developed on the basis of its ideas. During the reporting year, a workshop was once again held with external stakeholders at the "Daimler Sustainability Dialogue" in order to address selected aspects of our Integrity Management.

We use Compliance Management to steer responsible action

GRI 103-1

Value-based compliance is an indispensable part of our daily business activities and is firmly embedded in our corporate culture. Daimler is strongly committed to responsible conduct. We expect our employees to comply with laws, regulations, and voluntary self-commitments, and to put our corporate values into practice. We have defined these expectations in a binding form in our ↗ Integrity Code.

Compliance values and objectives: What we strive for

The central objectives of our compliance activities are respect for and protection of human rights, compliance with corruption prevention regulations, the maintenance and promotion of fair competition, the compliance of our products with technical and regulatory requirements, adherence to data protection laws, compliance with sanctions, and the prevention of money laundering and the financing of terrorism.

Through our ↗ Compliance Management System (CMS) we aim to promote compliance with laws and policies at our company and to prevent misconduct. 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.

Setting priorities: Our Compliance Management focuses on the following topics

Below we explain how we are pursuing our main objectives, what laws and policies provide us with orientation in this regard, and what measures we are specifically implementing:

We combat corruption

GRI 205-1/-2/-3

Daimler has committed itself to fighting corruption – because corruption is harmful to fair competition, society, and our Group. Our corruption prevention measures extend beyond compliance with national laws. We also adhere 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, we actively contribute to ensuring that not only we ourselves but also our business partners act in accordance with the principles of the UN Global Compact.

Our ↗ Corruption Prevention Compliance Program is based on our Group-wide CMS. An important element of this program is the integrated risk assessment. When we assess possible risks, we take into account internal information (e.g. a unit's business model) as well as external information such as the Corruption Perception Index of Transparency International. We see increased corruption risks in the area of sales activities in high-risk countries as well as in our business relations with authorized dealers and general agents worldwide. The results of the risk assessment serve as our basis for implementing targeted corruption prevention measures that are oriented toward the risk faced by the division or country in question. These measures aim to prevent corruption in all of our business activities. For example, we take a critical look at our business partners and transactions and are especially careful in our interactions with government authorities and officials. In this way we want to avoid any appearance of corruption and bribery from the very start.

The management of each Group company is responsible for implementing and supervising the measures. In this task, the management cooperates closely with the specialist units within the Integrity and Legal Affairs division. Within the framework of its Group management responsibilities, Daimler AG monitors the management activities of each respective Group company. Companies exposed to an increased corruption risk are supported by an independent Local Compliance Officer, who assists the respective management with the implementation of our Corruption Prevention Compliance Program.

In addition, we regularly assess the effectiveness of our measures and are continuously enhancing our methods and processes. Moreover, we offer a variety of communication and training measures to make our employees worldwide aware of the importance of corruption prevention. In order to ensure an independent external assessment of our Corruption Prevention Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for corruption prevention 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 successfully completed at the end of 2019.

Monitoring and improvement: How we are continuously refining our Compliance Management System

Communication and training: How we train our employees with regard to compliance

We promote fair competition

GRI 206-1

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 to 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 distributors, and participate in trade association work. In addition to Daimler AG's central Legal department and its specialist counsels, 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. As a result, managers at Group companies cooperate closely with the Integrity and Legal Affairs division, which also provides information on how to implement compliance measures effectively. Within the framework of its Group management responsibilities, Daimler AG monitors the management activities of the respective Group company. 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. To supplement this, 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 communication and training measures to make our employees aware of the importance of competition and antitrust laws and issues. During the reporting year, the corresponding training courses, which are mandatory for managers of hierarchy level and up, were conducted in an adjusted digital form in response to the covid-19 pandemic. The focus in 2020 was on contact with competitors as well as on cooperations. The local legal departments of foreign Group companies independently organized and conducted additional specific training courses.

Communication and training: How we train our employees with regard to compliance

In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System Antitrust 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 successfully completed at the end of 2016.

We want to safeguard compliance with technical and regulatory requirements

For us, technical Compliance means adhering to technical and regulatory requirements, standards, and laws. In doing so, we take into account the fundamental spirit of these laws and regulations and we adhere to internal development requirements and processes. Our objective is to identify risks within the product creation process (product development and certification) at an early stage and to implement preventive measures. For this purpose we have established a technical Compliance Management System (tCMS) in our automotive divisions. Its objective is to safeguard compliance with all legal and regulatory requirements throughout the entire product development and certification process. The tCMS defines specific values, principles, structures, and processes in order to provide our employees with guidance and orientation, especially with regard to challenging questions on how to interpret technical regulations.

We have also created dedicated expert units for technical Compliance in the development departments in our vehicle-related divisions. Among other things, these expert units manage a network of technical Compliance contact persons within development and certification departments. This network serves as a link between operating units and the compliance organization, that 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 (tCMS committees).

The tCMS is managed group-wide by an independent governance function whose director reports directly to the Board of Management member for Integrity and Legal Affairs. This governance function consists of employees with expertise in various fields, such as development, legal affairs, integrity, and compliance. The governance function is organized by division. It develops the tCMS and provides the divisions with legal advice.

In 2019 the Daimler AG Board of Management adopted the tCMS policy. This policy has since then applied to all Group companies that conduct relevant development and certification activities. It summarizes key elements of the tCMS and defines the roles and responsibilities of all relevant functions. We have developed process descriptions for key elements of the tCMS; the rights and obligations of the tCMS committees are defined in rules of procedure.

Our Whistleblower System BPO is also available as a contact partner for reporting technical Compliance violations, such as infringements of technical provisions or environmental protection regulations.

Working together for a fair partnership: Whistleblower System BPO

We have made use of various training and communications measures in order to sensitize our employees at development and certification units in all divisions to issues relating to integrity, compliance, and legal regulations in the product creation process. Among other things, they include special training and management workshops as well as "tone from the top" mailings. In these e-mails, the management teams of the development and certification units explain their expectations regarding ethical conduct to all of the employees in the respective area of responsibility. In addition, they provide information about current compliance issues and about supportive points of contact that the employees can turn to.

Communication and training: How we train our employees with regard to compliance

To ensure technical Compliance within our supply chain, we also raise the awareness of our business partners, and in particular of our suppliers, regarding the importance of technical Compliance and we communicate our specific requirements in the form of information guidelines, for example. We also engage in dialogs with selected business partners whose scopes of delivery are especially relevant for technical Compliance. In these discussions we communicate how we at Daimler ensure technical Compliance and clearly state what we expect of our business partners.

One element of the tCMS is the Technical Integrity initiative, which helps us to further develop the culture of integrity at the product development units and anchor this culture for the long term.

To complement the Integrity Code, the Technical Integrity Management has worked together with the relevant development units to formulate the "Speak Up" and "Judgment Calls" commitment statement. These principles provide employees with a basis for a shared understanding of responsible behavior in the product creation process, especially in case of unclear legal framework conditions. Moreover, they provide guidance in the employees' daily work. In 2020 these commitment statement were were communicated by target-specific target group-specific communication measures and online training courses.

In 2020 the development units extensively analyzed the results of the online employee survey "Big Picture Integrity 2019." The Technical Integrity Management supported them in this task. The results were presented in the in steering committees and were also communicated to the employees and discussed with them. This was used as a basis for identifying fields of action and specifying target-specific measures that the development units implemented by themselves until the end of 2020.

The effectiveness of our tCMS is monitored in the annual monitoring process. The improvement measures identified here are considered and addressed.

In order to ensure an independent external assessment of our tCMS, KPMG AG Wirtschaftsprüfungsgesellschaft audited the tCMS with focus on emissions in accordance with the 980 standard of the Institute of Public Auditors in Germany. This audit with focus on emissions was based on the principles of appropriateness, implementation, and effectiveness, and was successfully completed at the end of 2020.

We handle data responsibly

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 is a top priority at Daimler.

The regulatory requirements relating to data protection have become significantly more stringent in recent years. The strict requirements of the General Data Protection Regulation (GDPR) are valid not only in the European Union but also beyond it. Meanwhile, many countries all over the world that are relevant to Daimler's business operations have tightened up their local data protection laws. We are addressing the increased regulatory requirements by means 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.

The Data CMS, which combines all Group-wide measures, processes, and systems for ensuring data protection compliance, is based on the existing Daimler CMS. The Data CMS supports the systematic planning, implementation, and monitoring of compliance with data protection requirements.

You can find detailed information about data compliance in the chapter on data responsibility.

Data responsibility

We combat money laundering and take precautions against violations of economic sanctions

Money laundering and the financing of terrorism cause tremendous damage – to the economy and society in equal measure. Even an accusation of money laundering can compromise our reputation and have financial consequences for us as well as our shareholders and stakeholders. 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.

We produce and sell motor vehicles worldwide and offer our customers appropriate services as well as suitable financing and mobility solutions. As a result, 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 well as the regulations that apply to financing and leasing companies. For example, we have taken measures throughout the Group to prevent and combat money laundering and the financing of terrorism.

To this end, Daimler AG has developed a two-pillar model that takes into account the different requirements that distributors of goods and financing and leasing companies have to meet. The first pillar for preventing money laundering encompasses the Group companies of Mercedes-Benz AG and Daimler Trucks AG as distributors of goods; the second pillar pertains to the financing companies that are part of Daimler Mobility AG. In this process, the Group Anti-Money Laundering Officer for the distribution of goods reports to the Board of Management member for Integrity and Legal Affairs, whereas the Group Anti-Money Laundering Officer for the anti-money laundering law group Daimler Mobility reports to the Board of Management member for Finance & Controlling. The strategic interaction between the two pillars is ensured by the Anti Financial Crime Committee, which meets three times per year. This committee brings together the Group Anti-Money Laundering Officers and their deputies from both pillars as well as other key stakeholders for compliance and criminal law issues in order to share information.

Daimler AG has appointed the Chief Compliance Officer to officially serve as the Group Anti-Money Laundering Officer for the first pillar of the company's core business of vehicle sales and services related to the distribution of goods. The company has also appointed a deputy to the Group Anti-Money Laundering Officer and notified the authorities of their appointment. The Chief Compliance Officer reports directly to the Board of Management member responsible for money laundering prevention and is also responsible for anti-money laundering measures at all Group companies involved in the distribution of goods. Moreover, he serves as the point of contact for regulatory authorities, law enforcement agencies, authorities responsible for the investigation, prevention, and elimination of potential threats, and Germany's Financial Intelligence Unit.

In order to effectively combat and prevent money laundering, Daimler AG and its Group companies involved in the distribution of goods have created the Anti Financial Crime (AFC) central Group unit. This specialist unit supports the Group Anti-Money Laundering Officer by means of an integrated compliance approach. Before we implement measures to prevent money laundering, we check current sanctions lists. On the one hand, these measures enable us to prevent people from evading supranational and national sanctions; on the other, they allow us to combat money laundering, the financing of terrorism, organized crime, and other types of corporate crime.

The AFC specialist unit helps the Group Anti-Money Laundering Officer perform all of his tasks. For example, it ensures compliance across divisions at Daimler AG and all of its Group companies involved in the distribution of goods and is responsible for Group-wide standards and processes pursuant to the German Money Laundering Act. In addition, it is responsible for the Group-wide Sanctions Compliance Program. As a central Group organization, this 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. These are managed by a locally responsible employee in the respective Group companies.

The Sanctions Compliance Program is valid for all Group companies. Among other things, it involves the systematic checking of sanction lists. Business with people, companies, and organizations on these lists is illegal and a punishable offence. As stipulated by law, we compare these lists with the data from customers, employees, strategic cooperation partners, and business partners from areas such as procurement and sales. In doing so, we check both supranational sanctions lists such as those published by the United Nations and the European Union as well as national sanctions lists from various countries, in particular the United States. Checks against sanctions lists, which are performed in close cooperation with the Export Control department, take data protection provisions into account.

The second pillar for preventing money laundering at the Daimler Group consists of the anti-money laundering unit of the Daimler Mobility Group, which combines the Group companies that are part of the Mobility division. It implements the standards of the German Money Laundering Act, in particular those for banks, financial companies, and financial service providers of the Daimler Mobility Group. To this end, Daimler AG has, under the direction of the Daimler Mobility AG Board of Management member for Finance, officially appointed a Group Anti-Money Laundering Officer and a deputy and notified the supervisory authorities of their appointment. Both of these individuals function as contact persons for the corresponding authorities and for local units involved in preventing money laundering and the financing of terrorism.

Another important function for the prevention of money laundering at Daimler Mobility AG is performed by the anti-money laundering@DMO Group Office. On the basis of Daimler Mobility AG's policy for preventing money laundering and the financing of terrorism, this office implements the regulations of the German Money Laundering Act at the Group companies, develops uniform measures for the prevention of money laundering, and conducts corresponding checks. These activities are performed in close coordination with the compliance organization of the Daimler Group and the AFC specialist unit for the distribution of goods.

The Daimler Compliance Management System: How we are pursuing our goal of compliant behavior

GRI 103-2

Our CMS consists of basic principles and measures that ensure compliant behavior throughout the company. The CMS is based on national and international standards and is applied on a global scale at Daimler. The CMS consists of seven elements that build on one another.

The compliance organization: How we embed compliance within the Group

Our compliance organization is structured divisionally, regionally, and along the value chain. As a result, it can provide effective support – for example, by means of guidelines and advice. Contact persons are available to each function, division, and region. In addition, a global network of local contact persons makes sure that our compliance standards are met with. The contact persons also help the management at the Group companies implement our compliance program at the local level.

36 | The Daimler Compliance Management System

Moreover, the Daimler Compliance Board provides guidance regarding overarching compliance topics and monitors activities to see whether our compliance measures are effective. The Board's mission is to react promptly to changes in business models and the business environment, deal with regulatory developments, and continuously enhance the CMS. The Compliance Board consists of representatives of the compliance and legal affairs departments, generally meets four times a year, and is headed by the Chief Compliance Officer.

How we involve the company's management

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 CMS and its further development, as well as the Whistleblower System BPO.

In addition, the Vice President & Group General Counsel regularly reports to the Antitrust Steering Committee and the Group Risk Management Committee. The Chief Compliance Officer and the Vice President Legal Product & Technical Compliance also report to the Group Risk Management Committee.

The structure of the reporting lines safeguards the Compliance Officers' independence from the business divisions.

Compliance risks: How we systematically identify risks

GRI 205-1

We examine and evaluate our Group companies and corporate departments systematically each year in order to minimize compliance risks. In this process we use, for example, centrally available information about the Group companies, such as revenue, business models, and relations with business partners. If necessary, other locally sourced information is supplemented. The results of these analyses are the foundation of our compliance risk control.

How we handle legal proceedings

GRI 206-1 GRI 419-1

We assess legal proceedings against companies of the Daimler Group as being significant if they represent a particular financial and/or reputational risk.

Information about significant legal proceedings against companies of the Daimler Group is provided in the Annual Report 2020 as well as in the relevant quarterly reports. These reports also contain information on governmental information requests, inquiries, investigations, administrative orders and proceedings as well as litigation relating to environmental, capital markets, criminal, antitrust, and other laws and regulations.

↗ Risk and Opportunity Report, AR 2020

Compliance program: The specific measures that we implement

Our compliance program comprises principles and measures that are designed to minimize compliance risks and prevent violations of laws and regulations. The individual measures, which are based on the knowledge gained through our systematic compliance risk analyses, focus among other things on: continuously raising awarenes for compliance, the systematic tracking of information received regarding misconduct and on the formulation of clear standards for the behavior of our business partners. We address these points in greater detail in a later section.

Working together for a fair partnership: The Whistleblower System BPO

GRI 205-3 GRI 102-34

The Whistleblower System Business Practices Office (BPO) enables all employees, business partners, and third parties to report misconduct anywhere in the world. The Whistleblower System BPO is available around the clock to receive information, which can be sent by e-mail or normal mail or by filling out a special form. External toll-free hotlines are also available in Brazil, Japan, South Africa, and the United States. Reports can also be submitted anonymously if local laws permit this. In Germany, whistleblower reports can also be submitted to a neutral external intermediary in addition to the Whistleblower System BPO.

The information provided to the Whistleblower System BPO enables us to learn about potential risks to the company and its employees and thus to prevent damage to the company and its reputation. A globally valid corporate policy defines BPO procedures and the corresponding responsibilities. This policy aims to ensure a fair and transparent process 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.

If the initial risk-based assessment of an incident categorizes it as a low-risk rule violation, the BPO hands the case over to the responsible unit – for example, the HR department, Corporate Security or Corporate Data Protection. The respective unit investigates the incident and deals with the case on its own authority. Examples of low-risk rule violations include theft, breach of trust, and personal enrichment valued at less than €100,000 – if the violation does not fall into the category of corruption.

If the BPO's risk-based initial assessment categorizes an incident as a high-risk rule violation, the BPO hands the case over to an investigation unit. The BPO provides support for the subsequent investigation until the case is closed. Examples of high-risk rule violations include offenses related to corruption, breaches of antitrust law, and violations of anti-money laundering regulations, as well as violations of binding technical provisions or violations in connection with environmental regulations.

In an effort to constantly increase trust in our whistleblower system and make it even better known to our employees, we use a variety of communication measures. For example, we provide information materials such as country-specific information cards, pocket guides, and instructional videos. We also regularly inform employees about the type and number of reported violations and make case studies available on a quarterly basis.

A total of 53 new cases were opened in 2020. Overall, 42 cases, in which 66 individuals were involved, were closed "with merit." In these cases, the initial suspicion was confirmed. Of these cases, six were in the category "Corruption," two were in the category "technical Compliance," and eight were in the category "Reputational Damage." In eleven cases, accusations of inappropriate behavior of employees toward third parties were confirmed. Seven cases were categorized as "Damage over €100,000." The remaining cases fell into other categories. With regard to those cases that are closed "with merit," the company decides on appropriate response measures in line with the principles of proportionality and fairness. The personnel measures taken in the reporting year 2020 included (written) warnings, separation agreements, and (extraordinary) terminations.

We carefully select sales partners and suppliers

We expect not only our employees to comply with laws and regulations. We also require our sales partners and suppliers to adhere to clear compliance requirements, because we regard integrity and conformity with regulations as a precondition for trusting cooperation.

In the selection of our direct sales partners and in our existing sales partnerships, we therefore ensure that our partners comply with the law and observe ethical principles. To determine this, we use a globally uniform, risk-based Sales Business Partner Due Diligence Process. During the reporting year, we checked all of the new and existing sales partners to see that they fulfilled these requirements. Our continuous monitoring in this area is designed to ensure that we can identify possible integrity violations by our sales partners. We also reserve the right to terminate cooperation with, or terminate the selection process for, any partner who fails to comply with our standards. In addition, we work with our procurement units to continuously enhance our processes for selecting and cooperating with suppliers.

The Daimler Supplier Sustainability Standards also apply to our suppliers. On the basis of these standards and our Integrity Code, we provide them with a Compliance Awareness Module that is developed specifically for each partner. These modules are intended to sensitize them to current integrity and compliance requirements such as those related to corruption prevention and technical Compliance. Through these measures we also offer our sales partners assistance for dealing with possible compliance risks.

Supply chain

Communication and training: How we train our employees with regard to compliance

GRI 102-27 GRI 205-2

We offer an extensive range of compliance training courses that are based on our Integrity Code – for example, courses for employees in administrative areas and in the compliance and legal affairs departments as well as for members of the Supervisory Board and the executive management. The contents and topics of the training courses are tailored to the roles and functions of the respective target group. We regularly analyze the need for our range of training program, expand or adapt it, and conduct evaluations.

For all employees in administrative areas a web-based and target group-oriented training program is available consisting of various mandatory modules. The training program encompasses a basic module as well as a module specifically for managers and expert modules on various compliance-related subjects. During the reporting year, we supplemented the basic module with additional content of the revised Integrity Code, e.g. concerning human rights.

These modules are automatically assigned when an employee is hired, promoted or transferred to a function that involves an increased risk. Employees generally have to complete the training program approximately every three years. Factory employees can complete the training voluntarily. The web-based training program is supplemented by face-to-face trainings, some of which we conducted in adapted digital form during the reporting year due to the covid-19 pandemic.

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 the technical Compliance Management System. In 2020, new members of the supervisory boards of Group companies were also provided with information on various topics relating to compliance, data protection, and integrity. As part of the onboarding program, these new supervisory board members are also provided with "Know Your Responsibilties" courses adressing compliance-related topics for example corruption prevention and aspects of integrity at the Group companies.

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

Monitoring and improvement: How we assess the effectiveness of our management approach

GRI 103-3

We monitor the processes and measures of our CMS annually and conduct analyses to find out whether our measures are appropriate and effective. For these activities, we rely on information about the Group companies as well as additional locally gathered information. We also monitor our processes regularly on the basis of key performance indicators such as the duration and quality of individual processes. To determine these indicators, we check, among other things, whether formal requirements are met and the content is complete. We also take into account the knowledge gained through both internal and independent external assessments.

If changed risks or new legal requirements call for adjustments, we adapt our CMS accordingly. The Group companies implement the respective improvement measures on their own authority. They also regularly monitor these measures to determine their effectiveness and continually inform the responsible management committees about the results of their monitoring process.

37 | Training program integrity and compliance 2020 — web-based trainings

GRI 205-2

Basic modules	**These modules are automatically assigned to all of the active administrative employees at Daimler AG and Group companies controlled by Daimler.**	
Basic Module — Integrity@Work *(Key content integrity and compliance as a competitive advantage, corruption prevention, protection of free competition, protection of personal data, human rights, tip-offs of rule violations)*	**Number of participants**	**150,055**
	thereof	
	administrative employees worldwide:	133,162
	managers worldwide:	16,893
Basic Module — Sustainability	**Number of participants**	**148,657**
	thereof	
	administrative employees worldwide:	131,832
	managers worldwide:	16,825

Management module	**This module is automatically assigned to all of the managers at Daimler AG and Group companies controlled by Daimler.**	
Management Module — Integrity@Work	**Number of participants**	**16,814**
	thereof	
	managers worldwide:	16,814

Expert modules	**These modules are automatically assigned to the relevant administrative employees at Daimler AG and Group companies controlled by Daimler.**	
Expert Module — Anti-Money Laundering *(Rollout started in December 2020)*	**Number of participants**	**2,678**
	thereof	
	administrative employees worldwide:	2,410
	managers worldwide:	268
Expert Module — Antitrust Overview	**Number of participants**	**22,226**
	thereof	
	administrative employees worldwide:	16,575
	managers worldwide:	5,651
Expert Module — EU General Data Protection Regulation	**Number of participants**	**6,347**
	thereof	
	administrative employees worldwide:	5,763
	managers worldwide:	584
Expert Module — Integrity & Compliance@DMO	**Number of participants**	**89**
	thereof	
	administrative employees worldwide:	52
	managers worldwide:	37
Expert Module — Integrity & Compliance@MS	**Number of participants**	**2,519**
	thereof	
	administrative employees worldwide:	2,413
	managers worldwide:	106
Expert Module — Integrity & Compliance@ Procurement	**Number of participants**	**968**
	thereof	
	administrative employees worldwide:	851
	managers worldwide:	117
Expert Module — Integrity & Compliance@ Truck, Bus and Van	**Number of participants**	**1,583**
	thereof	
	administrative employees worldwide:	1,457
	managers worldwide:	126

37 | Training program integrity and compliance 2020 — web-based trainings

GRI 205-2

Expert modules	These modules are automatically assigned to the relevant administrative employees at Daimler AG and Group companies controlled by Daimler.	
Expert Module — Intellectual Property	**Number of participants**	**21,774**
	thereof	
	administrative employees worldwide:	19,524
	managers worldwide:	2,250
Expert Module — Social Compliance	**Number of participants**	**128**
	thereof	
	administrative employees worldwide:	80
	managers worldwide:	48
Expert Module — Technical Compliance & Integrity@Buses	**Number of participants**	**158**
	thereof	
	administrative employees worldwide:	150
	managers worldwide:	8
Expert Module — Technical Compliance & Integrity@Cars and Vans	**Number of participants**	**2,165**
	thereof	
	administrative employees worldwide:	2,039
	managers worldwide:	126
Expert Module — Technical Compliance & Integrity@Trucks	**Number of participants**	**774**
	thereof	
	administrative employees worldwide:	691
	managers worldwide:	83

38 | Training program integrity and compliance 2020 - face-to-face trainings*,**

GRI 205-2

	Number of events	Number of participants
Corruption prevention (incl. general compliance topics)	**394**	**7,868**
Anti-money laundering	**140**	**3,026**
Antitrust law	**85**	**2,518**
Sanctions compliance	**52**	**1,058**
Data compliance	**231**	**7,536**
Technical compliance	**49**	**2,917**

* Some of the face-to-face trainings were conducted in adapted digital form during the reporting year.
** Target group: relevant managers and adminstrative employees worldwide

People

People

Electrification, autonomous driving, connected urban mobility: It is not just our products that are changing fast – lots of things in the company are changing too. We are digitalizing our value creation processes – and thus our work. Our employees will need to be able to successfully address a variety of challenges in the digital world of the future, and it is our stated goal to ensure they will be able to do so. An open attitude regarding the digital transformation and digital skills, along with a diverse and inclusive corporate culture, form the basis for achieving this goal. This is because only in a culture marked by respect and trust can all employees unlock their full potential and thus enable the company to undergo a successful and sustainable digital transformation.

Target	Target horizon 2025	Target horizon 2030	SDGs
Attractiveness as an employer for digitally talented people*	**Top 7**	**Top 5**	
Empowerment of employees for the digital transformation**	**60%–65%**	**>70%**	
Agreement rate “diversity (fair treatment)”***	**70%**	**> 75%**	
Proportion of women in leading management positions***	**Annual increase of one percentage point**		

* Rankings of goals in the Trendence study of college graduates in the field of IT (Germany)
** Daimler employee survey, agreement rate
*** Daimler Group worldwide, excluding Daimler Greater China and Trucks Asia

SPURWECHSEL – We are changing lanes

More than anything else, we owe our Group’s success worldwide to our highly motivated employees, who contribute their expertise and ideas to their respective tasks and work processes and help make improvements and create innovations. This is why we support all of our employees with their tasks and offer them effective training measures throughout their careers that enable them to develop further both professionally and personally. We therefore invest extensively in their training and professional development and continually refine our human resources development programs. Here we focus on requirements associated with the transformation of the automotive industry in terms of alternative drive system technologies and digitalization in particular. We also take measures that ensure fair opportunities and a healthy working environment.

We view ourselves as our employees' partners

GRI 103-1

Our employees are the key to our Group's success: Around 288,500 people promote our company's success worldwide by contributing their expertise and ideas to our work processes and by helping to make improvements and create innovations.

Particularly in times of change as we are experiencing today, respectful and trusting cooperation between the workforce and management is extremely important. Changes are affecting not only our products but also our workplaces. In order to ensure that we remain competitive over the long term, we want to equip our employees with the skills they need and help them address the challenges associated with the transformation.

How we shape our collaboration

GRI 103-2

We structure our decision-making processes in a manner that ensures transparency for our employees, and we also enable them 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.

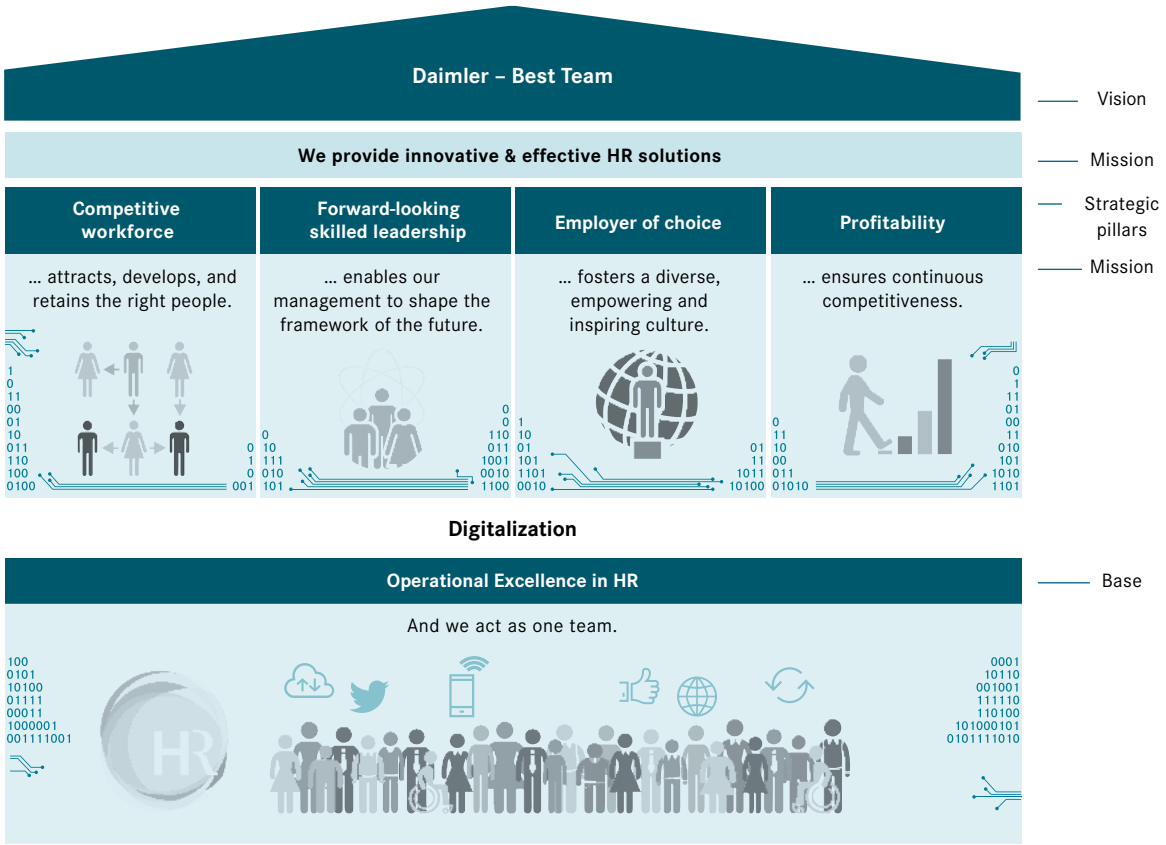
How we organize and manage our Human Resources unit

The Human Resources (HR) unit is divided into seven subunits. Five of these are active as business partners or "HR partners" of Daimler AG, Mercedes-Benz Cars & Vans, Daimler Trucks & Buses, Daimler Mobility AG, and Daimler Greater China. In addition there are two cross-sectional units: for Labor Policy and Law; and for Human Resources Development, HR Services and Organization.

Our Human Resources Strategy is designed to ensure that we can offer innovative and efficient solutions for the Group. The objective is to obtain a competitive workforce, modern leadership, and profitability and to support a culture of diversity and inclusion.

We employ state-of-the-art HR instruments in order to achieve these goals. For example, we use our HR-eData Manager Reports as a control tool. These reports contain KPIs and detailed information on managers' respective areas of responsibility and are available to all managers for their respective area of responsibility online via a Social Intranet app.

39 | HR Strategy 2025



We have committed ourselves to binding work and social standards

We have issued our own Group-wide Principles of Social Responsibility, which are based on the International Labour Organization's (ILO) work and social standards. We established our Whistleblower System BPO a number of years ago in order to ensure that we can employ a fair and adequate approach to investigating reports on incidents that pose a high risk to the company and its employees. The Whistleblower System BPO receives reports of suspicious cases and directs the subsequent investigations. High-risk rule violations include, for example, offenses relating to corruption, breaches of antitrust law, and violations of anti-money laundering regulations, as well as violations of binding technical provisions and environmental protection laws.

Working together for a fair partnership: Whistleblower System BPO

Furthermore, Daimler recognizes its social responsibilities and the ten principles on which the UN Global Compact (UNGC) is based. As a participant in the UNGC, we commit ourselves, among other things, to respecting key employee rights, ranging from the provision of equal opportunities to the right to receive equal pay for equal work.

Our company agreements are based on continuous communication with employee representatives

Corporate management and the employee representation maintain an ongoing dialog. The rights of our employees are defined in various (company-wide) agreements, which address topics such as mobile working, family leave, and home health care.

For example, employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG have been given a job-security guarantee for the period until 2029. In addition to this agreement, corporate management and the employee representation concluded a company-wide agreement in July 2020 that will make it possible to reduce labor costs in the period until the end of December 2021. This agreement was concluded in response to the various challenges associated with both the transformation of the automotive industry and the covid-19 pandemic. The company-wide agreement applies to all employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, Daimler Brand & IP Management GmbH & Co. KG, and Daimler Gastronomie GmbH in Germany. The agreement, which went into effect on October 1, 2020 and remains valid until December 31, 2021, provides for reduced working hours with no wage or salary compensation until the end of September 2021. In addition, employees have agreed to forgo special one-time payments. The Board of Management, the Supervisory Board, and senior executives are also doing their part to help reduce costs.

The global covid-19 pandemic presented companies and employees with many challenges last year, and it continues to do so. With this in mind, the Board of Management, in consultation with the General Works Council, decided to issue a special one-time "coronavirus bonus." The bonus was paid to all employees subject to collective bargaining agreements as well as to team leaders at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, the Daimler Mobility division, and all subsidiaries in Germany. This special payment is meant to mitigate financial and personal hardship and honor the great dedication and flexibility displayed by the workforce during the crisis. Certain employees outside of Germany also received an appreciation bonus.

We collaborate constructively with unions

GRI 102-41 GRI 407-1

Our employees have the right to organize themselves in labor unions – regardless of whether freedom of association is legally protected in the countries in which they work. In this regard, we work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council, and the World Employee Committee (WEC). Collective bargaining agreements exist for the majority of our employees throughout the Group. Such agreements apply to all employees subject to collective bargaining agreements at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and other units at the Group. In jointly constituted committees, we regularly inform the employee representatives about the economic situation and all of the key changes at the Group. We conclude agreements with the respective workers' representative bodies concerning the effects of our decisions on the employees – as is the case with the current company-wide agreement in Germany on safeguarding employment and reducing labor costs. In Germany, comprehensive regulations to this effect are contained in the Works Council Constitution Act. We notify our employees of far-reaching changes early on.

The covid-19 pandemic: Working under changed conditions

The conditions under which all of us at the Group work have changed dramatically at all of our locations around the world since the start of the covid-19 pandemic at the beginning of 2020. We feel this change directly in our digital work processes, especially those related to mobile work and the safety measures we have taken in response to this pandemic.

We began formulating behavioral recommendations and defining precautionary measures for dealing with epidemics or pandemics many years ago, and all of the associated processes are continuously adjusted, updated, and further specified. Our measures here are guided by the latest recommendations and information issued by the Robert Koch Institute, the World Health Organization (WHO), Germany's Federal Foreign Office, and other institutions. On this basis, and in response to the rapid spread of the coronavirus at the beginning of 2020, we also made several far-reaching decisions during the year under review.

The health and safety of our employees is our top priority. Corporate management therefore decided last year to suspend most of our production operations and all activities in selected administrative departments in Europe for an initial period of two weeks, from March 23 through April 3, 2020. As the covid-19 pandemic worsened, short-time work was then introduced in Germany on April 6. The Group took this step in response to the wide-ranging effects of the coronavirus and the increasingly negative impact the pandemic was having on the economy and society. Only necessary basic functions were excluded from this measure, as well as work on strategic projects and key topics for the future. All of these measures helped Daimler protect its employees and slow the spread of the virus. At the same time, the suspension of operations enabled Daimler to prepare for a phase of temporarily lower demand, and thus safeguard the financial strength of the company.

Certain locations began gradually resuming operations at the end of April 2020. In order to protect our employees, the company has taken precautions to prevent infection and agreed with the General Works Council on a comprehensive package of measures. These include hygiene and cleaning standards as well as rules for individual behavior in the workplace. A global campaign was also launched to make managers and employees more aware of issues relating to the pandemic and provide them with information on specific measures and rules that help protect them against infection. For example, employees at all of our locations around the world were given information on how to best protect themselves against SARS-CoV-2 in various types of situations. Our employees also continue to work from home wherever possible.

How we are dealing with the covid-19 pandemic

Leadership 20X: We are continuing to develop our management culture

GRI 404-3

We believe that the interplay of our strategy and our corporate culture offers our company a key competitive advantage. We therefore work constantly to improve our management culture and the way we cooperate. This is also why we launched the Leadership 2020 initiative in 2016: More than 1,000 employees of all ages from over 23 countries and various units and levels of the hierarchy have participated in the process of reformulating the ideas behind our Leadership Principles. We have also created a framework for changing the culture at our company. For example, we have aligned our processes for human resources development and decision-making, as well as our organizational structures and work methods and tools, with our new management culture. We want to continue this work with Leadership 20X in the years to come as well.

The conduct of all employees at the Daimler Group continues to be based on and guided by our eight Leadership Principles: Pioneering Spirit, Agility, Purpose, Empowerment, Customer Orientation, Co-Creation, Learning, and “Driven to Win.”

These principles are intended to make the Group faster, more effective, and more flexible and boost its innovative potential. This is why they are also core elements of our HR processes.

Among other things, we have created a human resources development tool for our managers. This online tool is available to all executives and Level 4 management staff. Among other things, it includes a feedback process that allows managers to request feedback and utilize it to further develop their leadership skills and improve their performance. The managers receive the feedback from their own supervisors, their employees, and selected colleagues who assess them on the basis of the eight Leadership Principles. The HR development tool also includes additional instruments such as a controlling tool for defining and monitoring work priorities. This tool helps managers and employees define, modify, and monitor specific contributions and metrics associated with the implementation of unit strategies.

Functions and responsibilities determine remuneration

GRI 102-35/-36

We remunerate work in accordance with the same principles at all Group companies around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Among other things, this policy stipulates that salaries are determined on the basis of the requirements of each employee’s tasks (taking into account factors including their knowledge and abilities, responsibilities and decision-making scope) and in some cases their performance. In other words, gender, ethnicity, or other personal attributes have no bearing whatsoever on salary decisions. Internal audits are conducted annually on a random basis to make sure selected aspects of the policy are complied with. 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. No significant violations of our Corporate Compensation Policy are known to have occurred during the reporting year. We conduct income review discussions for employees and managers on a regular basis. The discussions 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 and compliance with all data protection regulations. The discussions also address employee development potential.

Employees who are not satisfied with their remuneration can speak to their manager. If the employee and the manager fail to resolve the issue, the responsible human resources unit or works council can be brought in.

In companies subject to collective bargaining agreements, such as Daimler AG, the agreements that have been reached grant employees additional rights, including the right to object to their placement in a specific salary group or to the results of their performance assessment.

Management and remuneration tools motivate and create transparency

GRI 405-2 GRI 401-2

We support managers and employees in their tasks with standardized management tools, which help us to support cooperative working practices and to measure the results of our actions.

With the implementation of the ERA remuneration framework agreement in 2007, we also established a standardized leadership process for non-production employees below Level 4 at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG in Germany.

This process consists of an annual initial discussion, a review, and a final discussion. In the initial discussion, managers and their employees agree on goals, targets, and areas of focus for work. Expectations regarding work performance and qualification measures can also be defined in this discussion. Further conversations take place in the middle of the year in order to determine how much progress has been made and if necessary formulate measures that can help support the employee in question throughout the rest of the year.

Progress is then assessed again at the end of the year, as are the employee's work performance and development potential. All of these aspects are also discussed by the responsible management team.

Finally the results of the standardized leadership process are discussed with the respective employee by the manager. Agreements are also reached regarding the employee's further professional development.

A single regulation regarding performance-based remuneration applies to employees at Daimler Mobility AG and Mercedes-Benz Bank AG (including their subsidiaries): In accordance with the remuneration group as defined in the supplemental collective bargaining agreement for services, a target annual salary is contractually defined; this salary consists of a fixed (80 to 90 percent) and a variable (10 to 20 percent) component. Despite the existence of the variable component, the high proportion of the fixed component ensures sufficient financial planning security. A performance assessment/target achievement process (PA/TA process) is conducted each year to evaluate the employee's performance and target achievement. Employees below Level 4 define individual goals and targets with their respective managers at the beginning of each year. During an interim review discussion and a final discussion at the end of the year, managers and employees then determine the extent to which the goals and targets have been achieved. This procedure promotes transparent communication between managers and employees in a manner that is appropriate for the subject: The PA/TA process helps managers and employees formulate reasonable goals and targets that both can accept. It also increases transparency and thus acceptance of the remuneration system.

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 also providing employees with additional information in order to comply with Germany's remuneration transparency act. This includes information that shows employees the various remuneration components of comparable groups of all genders.

Employees at Daimler AG and its subsidiaries who are subject to a collective bargaining agreement are usually also offered voluntary benefits that are agreed upon with the respective employees' representative bodies. These benefits include employer-funded contributions to retirement benefits and options for employees to participate in an employee-funded retirement benefits system. In many cases, employees who are subject to collective bargaining agreements can also participate in profit-sharing arrangements at their respective company. In addition, our employees can avail themselves of the services of a wide variety of sports facilities and fitness centers – as well as social amenities ranging from daycare centers to counseling services.

Flexible working-time arrangements give employees more freedom

GRI 401-3

Increasing digitalization is having a positive effect on life balance. It is enabling people to arrange their working hours more flexibly – under consideration of their specific needs as well. This in turn is helping to increase the performance and satisfaction of our employees. For this reason, we support managers and employees with a wide range of flexible working options that make it easier for them to reconcile their work with their personal lives in the most effective manner possible. Among other things, we offer our employees options for mobile working, reduced working hours, and job sharing, and we also give them the opportunity to take an extended leave of absence.

Since December 2016, all employees at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG have had the right to work remotely if their tasks and assignments can accommodate this. Details regarding this right are included in a company-wide agreement.

Daimler also offers a variety of part-time work arrangements – for example, employees can reduce their working hours and spread their daily, weekly or monthly hours over a period of one to five days.

Daimler promotes job sharing, in particular for managers who wish to share a task or position while working part-time. This is especially helpful for managers with challenging family situations who wish to reconcile their professional and private lives more effectively and continue to develop professionally by sharing a job. A tandem job share with two people uniting their mixture of experience, strengths, and networks brings better

results when complex tasks need to be performed and/or management responsibility needs to be assumed by more than one individual. Three internal part-time work communities were set up in 2015 in order to facilitate the search for a tandem partner. These communities bring together potential partners from Levels 3 and 4, as well as all employees below Level 4 and production employees. Part-time work forums and regular meetings also offer those interested in job sharing the opportunity to get to know each other and exchange information and ideas. There were 194 tandem job shares at the management level in the reporting year, which means 388 managers shared a position and/or a task.

Employees can also make arrangements with the company to take a sabbatical lasting between three months and a year, with a reinstatement guarantee.

Employees who wish to obtain additional qualifications – including pursuing a course of study at a university – can make arrangements with the company to take a three to five-year leave with guaranteed reinstatement.

Life balance
We offer various types of working-time arrangements and other options to support employees who have children or relatives they need to care for. For example, we offer our employees in Germany 660 places in company daycare centers. We can also arrange a further 200 or so childcare opportunities at various locations in Germany. Parents who are interested in alternative daycare options or need a tutor for their children can turn to our cooperation partners. We have also set up parent-child rooms at several locations for situations in which children need to be brought to work.

Daimler Group employees in Germany can take advantage of a variety of programs that facilitate their reentry into the company after family and parental leave. For example, our employees can stay abreast with events at the Group during parental and family leave via the Social Intranet and also access the internal job exchanges. We also support mothers and fathers by using checklists during the transition to parental leave, by helping them maintain contact in the meantime, and by ensuring a smooth reentry into active professional life. In addition, there are regular information events and experience-sharing opportunities for expectant parents and employees on parental leave. These events were held online in the reporting year due to the covid-19 pandemic.

A particular feature at Daimler in Germany is customized coaching and online mentorship platforms to prepare mothers and fathers for their upcoming reintegration into the Group. Specially trained personnel are also available in the HR Service Center to answer questions related to parental and family leave for employees at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. A total of approximately 4,962 employees of Daimler AG, Mercedes-Benz AG, Daimler Truck AG, Daimler Mobility AG and Mercedes-Benz Bank AG were on parental leave in 2020, of whom 75.7 percent were men.

A job, children, and taking care of old or sick family members or relatives – an increasing number of employees at Daimler are facing such a triple burden. Daimler has therefore further expanded its internal support programs relating to care by establishing a partnership with an external care consulting firm. Since April 2020, employees at Daimler have been able to obtain advice on the phone or in person – 24/7 and 365 days a year. In addition, plans call for an external care provider to offer consultation services once a month at several company health insurance fund locations in Germany. Due to the covid-19 pandemic, these consultation services have only been available at three locations to date – in Bremen, Untertürkheim, and Sindelfingen. Employees have also been able to obtain advice online since November 2020. The external care provider also offers consultation at employees' homes, and employees made frequent use of this service during the reporting year. We have held several online events as well on issues related to authorizing power of attorney, financing, and other care topics that are important today – and these events were very well received by our employees.

Employees who would like to take care of a family member or relative full-time can leave the company for a period of time beyond that defined by legal provisions – for up to four years with guaranteed reinstatement.

How we assess the effectiveness of our management approach

GRI 103-3 GRI 401-1

Our Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees and what we need to do to improve the company in the future. We conduct the survey every two years, most recently in 2018 after it had been thoroughly reworked. We were unable to carry out the employee survey in 2020 due to the covid-19 pandemic, but we will be conducting it in 2021.

Daimler Mobility AG and Mercedes-Benz Bank AG and their subsidiaries conduct an employee survey every two years in line with the guidelines defined by the Great Place to Work Institute. These surveys ensure that the companies receive extensive feedback from their employees, which helps the companies continuously improve their management and corporate culture and further develop their work culture within the framework of the transformation process. The surveys also serve as a basis for the selection of the winners in the annual Great Place to Work Award competition. During 2020, Daimler Mobility AG was once again named one of Germany's best places to work, and the company is also recognized internationally as an attractive employer.

Our employees' loyalty to the company is also expressed by the high average amount of time they have worked for Daimler: This rose slightly in the reporting year and has reached 16.4 years (2019: 16 years). In Germany, employees had worked for Daimler for an average of 19.8 years at the end of 2020 (2019:19.5 years). Daimler employees outside Germany had worked for the Group for an average of 11.5 years (2019: 10.9 years). In 2020, our employee turnover rate amounted to 5.8 percent worldwide (2019: 6.0 percent). We use our annual "Daimler Sustainability Dialogue" to obtain additional important feedback from our stakeholders in business, government, the scientific community, and other areas. These dialog events feature various working groups in which we examine and discuss current and future issues related to sustainability. The 13th "Daimler Sustainability Dialogue" at the beginning of November 2020 took place online due to the covid-19 pandemic. Among other things, the "Employees and Integrity" working group at the digital event addressed the question of the extent to which management culture and integrity form the pillars of sustainable company success in times of crisis in particular. The results of the Daimler Sustainability Dialogue are incorporated into other activities related to integrity and leadership.

40 | Employee turnover rate (in %)

GRI 401-1

	2016	2017	2018	2019	2020
Europe*				4.6	**5.0**
thereof Germany	3.1	3.4	3.7	3.5	**4.5**
NAFTA*				12.7	**8.9**
Asia*				7.9	**6.4**
Rest of world	10.4	7.5	5.5	5.7	**7.8**
Total	**6.7**	**5.1**	**4.9**	**6.0**	**5.8**

* New report starting point (values only available from 2019)

41 | Parental leave – entitled employees*

GRI 401-3

	2016	2017	2018	2019	2020
Men	118,171	117,800	118,025	117,375	**117,189**
Women	20,209	20,928	21,814	22,074	**22,989**
Total	**138,380**	**138,728**	**139,839**	**139,449**	**140,178**

* Daimler AG, Mercedes-Benz AG, Daimler Truck AG; new from 2020: including Daimler Mobility AG and Mercedes-Benz Bank AG in Germany

42 | Employees on parental leave*/**

GRI 401-3

	2016	2017	2018	2019	2020
Men	1,999	3,130	3,192	3,733	**3,756**
Women	805	823	685	1,050	**1,206**
Total	**2,804**	**3,953**	**3,877**	**4,783**	**4,962**

* Daimler AG, Mercedes-Benz AG, Daimler Truck AG; new from 2020: including Daimler Mobility AG and Mercedes-Benz Bank AG in Germany
** Return rate 99.9%

Training and professional development: Learning and improving in the transformation

GRI 103-1

The knowledge and skills of our employees are the foundation of Daimler's worldwide success. This is why we invest extensively in their training and professional development and continue to enhance our HR development programs.

Due to electric mobility and digitalization we are currently experiencing the greatest structural change in the history of the automotive industry. This is being accompanied by the extensive transformation of our company, which is changing the nature of professions, activities, and requirements profiles. This in turn is increasing the need for further training in many positions held by both management staff and employees. We are addressing the various processes of change, such as the digital transformation, by offering appropriate training and professional development programs.

How we organize training and professional development

GRI 103-2

Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG structure the training and qualification processes with an overall system of rules and regulations. From the Board of Management to our training and qualification units and the trainers at the plant level, we pursue the goal of safeguarding our competitiveness throughout the company.

The "company-wide agreement on qualification" is one of the instruments used to regulate professional training at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and other subsidiaries within Germany. We reached this agreement together with our employee organizations. The agreement strengthens the joint responsibility of managers and employees for qualification and helps maintain and increase the competitiveness of the Daimler Group. In addition, it helps us to further standardize the qualification process and to structure it more efficiently.

Finally, the agreement regulates collaboration with the Works Council on the main aspects of qualification and defines the process for the needs-based planning of qualification measures.

With regard to the permanent employees, the company-wide agreement aims to reinforce and further develop their personal qualifications. Here we are also pursuing the goal of enabling all employees to obtain further qualifications in line with their professional requirements or equip them with the skills they need to take on management positions. In addition, the agreement expresses the expectation that our employees will take on an active role in the qualification process and develop new professional prospects independently. Furthermore, the agreement stipulates that an annual qualification discussion should be held by each employee with his or her supervisor, in which the two parties agree on the next qualification steps. Overarching qualification focal points are agreed on annually at the location level between the corporate management and the Works Council and are oriented to the production program of the plant, among other factors.

During the year under review, an increasing number of our multidisciplinary qualification programs in Germany, as well as the specialized measures offered around the world by administrative departments (e.g. Human Resources, IT, Finance and Controlling, Procurement), were conducted online rather than as physical events. We also further expanded the multidisciplinary qualification measures that we offer in Germany. Our strategic focus here is on topics such as new ways of working, digitalization, transformation, and innovation.

An agreement on a qualification offensive has also been concluded with the General Works Council for Daimler AG, Mercedes-Benz AG, Daimler Truck AG, Daimler Brand & IP Management GmbH & Co. KG, and Daimler Gastronomie GmbH. The focus here is on digitalization, programming, and electric mobility (including high-voltage qualification measures) at production plants in Germany.

Training: How we support our young specialized employees

GRI 404-1/-2

We accompany all of the important phases of training and professional career paths with comprehensive training and professional development programs and support measures. Our trainees and student-trainees are our specialists of tomorrow. During the year under review, we offered dual work-study programs and commercial and technical training programs in Germany for more than 30 different professions. We continuously update the programs in order to take into account future requirements and technological innovations in each profession.

More than 1,800 trainees and student-trainees began their professional training programs at Daimler in Germany in the year under review. We continuously review our job portfolio, the structure of our training programs for the various professions, and the structures of the courses of study for our student-trainees, and we also react to the latest developments and address potential future requirements and technological innovations.

Professional development: We develop career paths

Daimler promotes and supports the professional and personal development of its employees. We make sure that our people have the right skills and the means to continuously improve them, and in this manner we ensure that our employees remain effective and employable over the long term in a changing environment – and that they never lose their innovative capability.

We empower our managers
The qualification programs for managers at the Group teach a wide variety of skills in the areas of leadership, agile work methods, and the digital transformation. Courses are available to all management personnel worldwide starting at Level 4. New managers receive extensive support during the first 365 days after their appointment. The team leader development program also makes it possible for employees to take on management tasks in production units, for example. The main focus here is on leadership capabilities.

INspire prepares young professionals for their career at Daimler
INspire is the name of a series of international talent training programs launched in 2018 that optimally prepare young professionals for their careers at Daimler. Depending on their wishes and skills, the trainees can pursue a career in a specialized field or as a manager. We have hired 143 talents since the INspire programs were launched in 2018. Of these highly talented individuals, 42 percent are women and 38 percent of all talents hired come from outside Germany. INspire replaced the previous CAReer training program in 2018.

Study while working with Daimler Academic Programs
The academic further development of specialists and managers at the Group is very important to Daimler, which is why we offer the Daimler Academic Programs and other programs at all Group companies in Germany. The Daimler Academic Programs offer employees who have been at the company for at least one year the opportunity to study while they continue to work – regardless of their age or their professional development up to that point. We provide such employees with financial support and an accompanying program. Our focus in 2020 was on courses of study that address digitalization and new drive system technologies.

We attract talent from around the world

Acquiring highly qualified employees for demanding occupations and retaining them within the Group – this is the task of our HR development. Our Global Employer Branding provides the basis for making talented new job seekers aware of our company and recruiting them. Our ↗ career website and our social media channels (DaimlerCareer on Facebook and Instagram, and Daimler AG on LinkedIn) support all activities in the area of employer branding. We utilize an "always on" approach for online marketing in order to remain permanently visible to our target groups. With the help of banner ads, our "In for Change" image film, and our "People of Change" series of employee profiles we are increasing awareness in our target groups of Daimler's attractiveness as an employer and are also making Daimler more well-known in general. Alongside these media measures, personal interaction with interested job seekers, for example at national and international career fairs and college career fairs (both online and on-site), is especially important to us. Due to the covid-19 pandemic, it was not possible for us to stage or participate in physical events to the normal extent in the year under review. We therefore made greater use of digital formats, and in the future we only plan to participate in fairs that employ a validated hygiene concept.

To supplement our standard recruiting process, we have a targeted active sourcing program in order to gain employees for positions that are hard to fill. This applies in particular to digital experts in areas such as information security and to legal experts. We directly contact potential applicants on social media platforms for business, such as LinkedIn. We are proactively searching for candidates and contacting them online so that we can reach previously unexploited target groups and candidates from bottleneck profiles and thus gain experts for Daimler AG.

We utilize a strategic approach for our human resources planning

How will our workforce develop over the next ten years – and what workforce structures will we need to have in the future? These are important questions that we are addressing within the framework of our "Strategic Resource Management" HR planning program at Mercedes-Benz AG and Daimler Truck AG.

Strategic Resource Management is a methodology for observing quantitative and qualitative aspects of workforce development. We collect quantitative data using an online tool. We also analyze strategically relevant abilities with the help of qualitative methods. Here we compare specialist, methodological, and social skills with future requirements.

This approach helps us uncover potential quantitative and qualitative bottlenecks in specialist units. A quantitative aspect would be, for example, a shortage of specialists in a future-relevant focus group due to employee turnover. A qualitative bottleneck could affect the training requirement for a future-relevant qualification. This information helps us plan the future requirements for entry-level recruitment and for training.

Temporary employment contracts help ensure additional flexibility
Our cooperation with external service providers and temporary-employment agencies is also a strategic instrument for quantitative HR planning. Our use of flexible temporary workers enables us to react more effectively to fluctuating production requirements and market conditions.

We have concluded agreements that allow us to regulate our workforce strength in a flexible manner. The provisions of the

company agreements “Safeguarding the future of Daimler” and “DMove” have been extended until the end of 2021 for Daimler AG, Mercedes-Benz AG, and Daimler Truck AG locations in Germany. These agreements allow for a maximum personnel flexibility of eight percent. Our concept: Temporary workers supplement the permanent workforce; they do not replace it. Because temporary employment contracts enable us to react flexibly to market fluctuations, they also make it possible for us to keep our permanent employees working at the company.

We are preparing for the digital transformation

Our Group’s digital transformation is changing the requirements profiles of many jobs and making it necessary for staff in many positions to gain new expertise. We are addressing this need by expanding the range of professions in which we offer training, increasing the number of programs offered at Dual Universities, and recruiting young talent with extensive digital expertise. We are also developing a management culture and organization that is geared toward the digital transformation, and we are supporting the digital transformation by offering qualification measures for the entire workforce. In 2020 the focus was on IT skills and professions, high-voltage and battery technology, and the development and implementation of digital learning formats.

Among other things, we implemented a global digitalization qualification campaign in 2019 and 2020 that was designed especially for our IT specialists. In addition, we are currently preparing the Digital Readiness Program that will be used to launch a comprehensive range of digital professional training measures worldwide beginning in January 2021. Among other things, the Digital Readiness Program covers methodological, technical, and cultural aspects of digitalization.

Our managers are helping to shape the digital transformation
In 2020 we launched a program known as “Leading Transformation” for executive management staff around the globe. The program’s approximately 4,000 participants spent a total of four months examining various challenges the transformation presents to our Group and their own areas of responsibility. Participants held discussions with experts on the topics of leadership, strategy development, and innovation in times of uncertainty, and they also formulated ideas for targets that were then directly implemented in their teams.

We test new technologies
Daimler makes it possible for its trainees and employees to learn about exciting new technologies. Our training centers have set up “Innovation Areas” over the past few years where trainees and employees can learn about and learn how to use cutting-edge technologies such as virtual-reality headsets, virtual welding and painting facilities, and 3D printing machines. The 3D printers at the training centers in Sindelfingen, Untertürkheim, Rastatt, Wörth, Mannheim, Gaggenau, and Kassel were operating at full capacity for several weeks during the covid-19 pandemic, when they were used to print face shields.

We use digital feedback in training and at the dual University
We launched a digital feedback program known as Development Dialog for our trainees and student-trainees in Germany in 2019 and 2020. The goal of this program is to further develop the skills and expertise of our young professionals through a dialog with trainers. The young professionals and trainers can provide each other with feedback, thereby giving both sides valuable ideas on how they can develop and improve. The program has now been rolled out at all plants and offices in Germany, in certain units and departments at Daimler Mobility AG, and in Ludwigsfelde. Further rollouts are now being planned.

How we assess the effectiveness of our management approach

GRI 103-3

In order to assess the effectiveness and success of a qualification measure, we need to determine the extent to which the skills learned can be transferred to the specific tasks and activities performed by the participant in question. Our leadership process offers us various ways to do this; one example involves the annual qualification discussions between managers and their employees. Discussions between the Human Resources unit and the specialist units on strategic qualification requirements (e.g. due to an existing or planned production program) also serve as a basis for these analyses.

In addition, we offer participants in the qualification programs the opportunity to provide feedback on their experience using a standardized survey. We then use the survey results to assess the effectiveness of the measures and modify their content or the didactic approach and methods used as necessary.

We also collect data on the number of days employees spend participating in qualification programs. This indicator enables us to make quantitative statements concerning participation in mandatory and voluntary qualification programs.

However, because this indicator does not allow for any basic qualitative conclusions to be drawn, we are also now examining whether our Employee Survey can be used to evaluate the success and effectiveness of our qualification measures. We expect that the survey responses will enable us to draw reliable conclusions that we can then use to assess and adjust our management approach.

43 | Qualification measures*

GRI 404-1

	2016	2017	2018	2019	2020**
Training and continuing education costs (in € bn)	110	114	124	129	**112**
Investments in employee qualification (in € bn)	122	121	123	114	**80**
Qualification days per male employee per year***	3.0	3.0	3.2	2.7	**1.7**
Qualification days per female employee per year***	3.4	3.5	3.7	3.1	**1.9**
Qualification hours per employee per year	21.0	21.0	22,0	18.9	**11.9**

* Daimler AG, Mercedes-Benz AG, Daimler Truck AG in Germany
** Decrease due to covid-19 pandemic with lockdown and short-time work at our locations
*** Note: As we are increasingly using learning formats that are integrated into the work process, the qualification days do not necessarily correspond to the actual level of qualification.

44 | People starting their careers*

	2016	2017	2018	2019	2020
Trainees	1,671	1,726	1,729	1,750	**1,616**
Dual University	212	218	214	225	**218**
Total number of people starting their careers	**1,883**	**1,944**	**1,943**	**1,975**	**1,834**

* Daimler Group in Germany

Diversity lays the foundation for our success

GRI 103-1

Our workforce is as diverse as our customers, and Daimler is convinced that diversity makes us more successful as a company. This is because diversity helps us to find new viewpoints and acts as a driving force behind creative ideas and innovations. We promote a working environment in which all of our employees can develop and make full use of their talent – regardless of their age, gender, sexual orientation or any other characteristic that relates to diversity. We therefore need to be respectful of one another and remain open-minded, which means there is no place for discrimination in the workplace. For us, inclusion means treating the diversity of our employees consciously, inclusively, and appreciatively.

How we shape diversity within the company

GRI 103-2

We expect all of our employees to treat one another in a respectful, open, and fair manner. 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 measures designed to increase awareness of the importance of diversity. Information and ideas are exchanged here in meetings held at regular intervals by the Diversity Working Group, in which representatives from Mercedes-Benz AG, Daimler Truck AG, Daimler Mobility AG, and central functions at Daimler AG participate. The intranet-based Global Diversity Community also offers all employees the opportunity to obtain information on diversity and inclusion at Daimler and to establish networks and engage in dialog.

We also hold discussions with external stakeholders on topics related to diversity – for example, as part of our membership in the Diversity Charter and our participation in the Global Summit of Women.

Our targets

GRI 405-1

Diversity management is part of our sustainable business strategy. The three areas of action “Best mix,” “Work culture,“ and “Customer access” form the foundation for a corporate culture shaped by diversity.

Best mix: We rely on mixed teams

Daimler is convinced that diverse perspectives make us more successful. For this reason, we seek to bring together different kinds of people in mixed teams in a manner that offers equal opportunities and ensures an environment free of discrimination. This approach enables us to overcome the challenges we face in our daily business in the best possible way. Our goal is to attract the most highly qualified specialists and managers to our company and support their professional development, regardless of their age, ethnic background, gender, sexual orientation and identity, or any physical limitations they may have.

Our diversity management approach is grounded in the principle of equal opportunity for all employees – regardless of any characteristic that relates to diversity. Daimler seeks to increase the share of women in its workforce and executive management positions. As early as 2006, Daimler set itself the target of increasing the share of women in executive management positions in the Group (excluding Daimler Greater China and Trucks Asia) to at least 20 percent by the year 2020. Beginning in 2021, we plan to further increase the proportion of women in executive management at the Group by one percentage point each year.

45 | Daimler Diversity Compass

Diversity and inclusion in three areas of action:

Best Mix
Putting together the best teams – that offer equal opportunities and are free of discrimination

Work culture
Creating a supportive and inclusive working environment

Customer access
Understanding, appreciating, and reaching customers as individuals

We have signed a company-wide agreement for the advancement of women for Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG. This agreement includes a commitment to increase the proportion of women in the total workforce, in vocational training, and in Level 4 and 5 management positions. We have established numerous measures along the entire "employee journey" in order to achieve these targets – involving everything from recruiting to onboarding and further professional development during the ongoing employee relationship.

No targets for the proportion of women have been set for the level of administrators at Daimler Mobility AG and Mercedes-Benz Bank AG and their subsidiaries, as men and women are more or less equally represented in those positions at the companies. This roughly equal gender representation also applies in the case of trainees and student-trainees.

We have set ourselves the following goals regarding the composition of the Board of Management and the Supervisory Board of Daimler AG:

- In line with legal requirements, the Supervisory Board defined a target of 12.5 percent for the proportion of women on the Board of Management in 2016.
- Pursuant to the recommendations contained in the current version of the German Corporate Governance Code, the Supervisory Board has set an age limit for members of the Board of Management. Therefore, as a rule, the 62nd birthday serves as an orientation for age-related retirement.
- In addition, attention should be paid to international scope when determining the composition of the Board of Management. We understand this to mean different cultural backgrounds and also international experience acquired through several years of foreign postings. If possible, at least one member of the Board of Management should be of international origin.
- The members of the Board of Management should have different educational and professional backgrounds. Wherever possible, at least two members should have a technical background.

Working culture: We are creating an inclusive working environment

We are creating a working environment that motivates our employees and is characterized by equality of opportunity and a spirit of respect. We promote diversity and inclusion by implementing qualification measures and conducting programs for the workforce that increase awareness of the importance of these issues. We also offer other programs, including employee assignments abroad and mentorship programs for women.

How we promote diversity and inclusion

We also help employees reconcile the needs of their professional and private lives. We have introduced diverse measures and programs that enable our employees to organize their working times flexibly in line with their individual situation. We also offer all employees opportunities to continuously further develop their skills and qualifications and to integrate new work methods and learning techniques into their daily activities.

Flexible working-time arrangements give employees more freedom

Customer access: We offer customers solutions that meet their specific needs

We appreciate the individuality of our customers and understand that they have different ideas about how they want to live their lives, and therefore have different needs and requirements. That's why we develop products and services that can meet these various needs. Our goal is to enable mobility for people – mobility appropriate to themselves and their lifestyle.

For example, we offer automobile-adaptive equipment – such as pedal extenders, swivel seats, control assistants, and power steering – for our customers with impaired mobility.

Mercedes-Benz is also using its Best Customer Experience sales and marketing initiative to focus on the wishes and requirements of women. Best Customer Experience was launched in 2015 to coincide with the IAA International Motor Show, and the initiative is now promoting networking, communication, and dialog in more than 70 countries. "She's Mercedes" organizes exclusive events and experiences where women can expand their networks and inspire one another. Such activities also enable Mercedes-Benz to bring the brand world closer to the "She's Mercedes" community and learn more about women's wishes and requirements relating to mobility.

The "She's Mercedes" initiative has also established itself inside the company, where the "She's Mercedes" community now extends from sales to communication and aftersales services. The initiative supports efforts to increase the number of female sales personnel and develop new mobility and other services. It is also involved in annual training events around the world in which participants in workshops that run for several days expand their knowledge of current brand, product, and sales topics. Interactive training formats and personal training sessions have been used in qualification measures in the sales organization in order to focus more strongly on the topic of women and vehicles. The goal here is to make Mercedes-Benz the most attractive luxury automobile brand for both men and women and to substantially increase the share of female buyers.

Our principles and policies

All of the members of the Daimler Board of Management support our Diversity Statement ↗ "Diversity Shapes Our Future" and advocate the realization of its principles:

- **Celebrating our differences.** We respect and value the diversity of our employees. We encourage them to contribute this diversity to the company.
- **Creating connections.** We benefit from the diverse experience, skills, and perspectives of our employees around the world. They reflect the diversity of our customers, suppliers, and investors.
- **Shaping the future.** Every one of us helps to create a working environment characterized by appreciation and mutual respect. Together we are shaping the future of Daimler along these lines.

The principles of diversity and equality of opportunity have 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." Furthermore, our policies regarding diversity and equal opportunity are described in our ↗ Integrity Code and our Group-wide "Fair Treatment in the Workplace" agreement.

The Trans*@Daimler guideline supports transgender/transsexual employees and managers and is designed for use by human resources units. This guideline clarifies company policies and the legal framework, describes administrative rules relating to name and gender changes, and lists the points of contact at the company where additional information on these issues can be obtained. It thus also underscores Daimler's commitment to an open culture marked by respect and tolerance.

We anchor our principles publicly through our membership of corresponding initiatives and associations by signing standards and principles such as those defined by:

- ↗ The UN Global Compact (2000)
- ↗ Charta der Vielfalt e.V. (2006)
- ↗ The Global Summit of Women (2006)
- ↗ FidAR e.V. (2010)
- ↗ Women's Empowerment Principles (2013)
- ↗ The UN Standards of Conduct for fighting discrimination against LGBTI people (2018)
- ↗ HIV declaration of the Deutsche AIDS-Hilfe (German AIDS service organization) (2019)
- ↗ The Valuable 500 (2020)

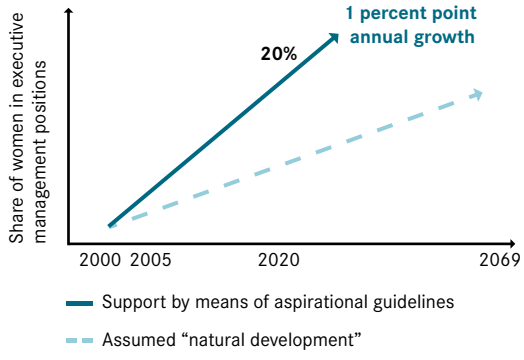
How we promote diversity and inclusion

We promote a culture that is characterized by respect, equality of opportunity, and appreciation. We shape diversity and inclusion with specific programs and measures for our employees.

We are committed to equal opportunity for women
For us, the advancement of women begins with the young generation. With actions such as "Girls'Day" and the "Genius" education initiative, Daimler is supporting the goal of arousing the interest of girls as well in technical careers and promoting young engineers. We also address women as a specific target group at college career fairs and "Women Career Days."

Our measures for promoting the advancement of women extend along the entire "employee journey" and involve everything from recruiting to onboarding and individual professional development. Among other things, we offer special leadership workshops and mentoring programs that aim to prepare women for work in management positions and help us achieve the targets we have set for ourselves for the proportion of women in management positions. Exchange is promoted by means of networks specifically created by and for women employed at Daimler. These include: Frauennetzwerk (FNW), Women's Business Network (WBN), Frauen in Technik (FiT), and CAReer Women's International Network (CAR-WIN).

46 | Development of the share of women in executive management positions



We rely on cultural diversity
Around 288,500 men and women from over 160 countries work at Daimler. Our employees' diverse cultural backgrounds help us to better understand the wishes of the customers in each region and tailor our products accordingly. At the same time, we conduct training programs to improve intercultural skills and increase awareness of the importance of diversity and inclusion, and we also make use of targeted recruiting measures. For example, international candidates account for approximately one third of the people we recruit through our INspire talent training programs.

INspire prepares young professionals for their careers

We deliberately encourage our employees to take on assignments abroad. Around 1,750 Daimler employees from nearly 50 countries are currently working as global assignees around the world. Most assignees from Germany are working in China, the United States, and Mexico, for example. Other important assignee destinations include Japan, South Africa, and Hungary. Employees from abroad also come to work in Germany: We currently have approximately 110 assignees in Germany, with most of them coming from India, the United States, Brazil, and China. Employees from outside Germany work in other countries as well, with around 230 people from the United States, Brazil, South Africa, and Japan now working outside their countries – mostly in China and the United States.

We integrate employees with disabilities
Employees with disabilities are an important and fully integrated part of our diverse workforce. Training for young people with disabilities is particularly important to us. As early as 2006, we worked with the severely disabled persons' representative to put together a plan of action for taking on severely disabled trainees. The plan of action requires us to hire 23 severely disabled trainees each year. Since 2015, more than one hundred young individuals with disabilities have started a Daimler training program. In addition, in Germany the severely disabled persons' representative and the inclusion officer of the company take action on behalf of severely disabled employees.

During the reporting year, Daimler joined "The Valuable 500" global initiative that promotes the inclusion of people with disabilities at companies and businesses. By joining the initiative, we have committed ourselves to taking specific measures that promote an inclusive and empowering working environment (for example, accessibility throughout the company) and contribute to social inclusion (for example, cooperation with organizations that support people with disabilities).

We appreciate and support talented individuals from all generations
The average age of our global workforce in 2020 was 42.1 (2019: 43) years. The demographic transformation is also leading to a situation where people continue to work longer than before. This means that the average age of our employees will likely increase further in the years ahead. We see this transformation as an opportunity and are adjusting the framework conditions accordingly. In particular, we focus on measures for supporting the capabilities and health of younger and older employees, and we also want to increase cooperation between people of different ages. Generation management activities at Mercedes-Benz AG focus on the following activities:

- We evaluate our workplaces with regard to their ergonomics – our employees should be able to work there without risks to their health. We are integrating new technologies such as human-robot cooperation that will facilitate the performance of physically demanding activities – for example in production.
- We conduct training courses in order to provide older employees with the skills they need to deal with the new requirements of a modern production environment characterized by increasing digitalization. We are also incorporating the same content into relevant apprenticeship programs, thereby we are ensuring that the trainees who complete these programs have the expertise they need.
- We offer older employees IT training in order to enable them to contribute to the implementation of digitalization projects in production units. The goal here is to use professional training to enable employees to work in areas where additional staff are needed.

In Germany, Mercedes-Benz AG, Daimler Truck AG, and Daimler Mobility AG and its subsidiaries also make use of the expertise of experienced employees who have already retired. Our Senior Experts Program offers retired experts the opportunity to come back to work and contribute their expertise to various projects for a limited period.

Since 1998, Daimler has also been offering pre-retirement part-time work agreements to non-exempt employees who wish to take early retirement. Such agreements ease the transition from work to retirement. The pre-retirement work agreements offer different entry models and working-time arrangements. The remuneration paid for the pre-retirement part-time work agreements for older employees is topped up over the full duration of the agreement.

We show our colors for the rainbow community
Daimler Pride makes a statement for diversity and inclusion – for the LGBTI+ community and beyond. It shows that the entire Group – across all divisions and locations – stands for a culture characterized by appreciation, respect, and openness. This culture is supported by the work done by our GL@D (Gay Lesbian Bisexual Transgender+ at Daimler) employee network and our Spectrum and EQUAL networks in the United States.

During the reporting year, we continued our activities here even in the midst of the covid-19 pandemic. For example, Daimler showed its support for diversity and inclusion by publicly participating in both the virtual Global Pride 2020 event and in German Pride Live.

Employee networks
Networks enable employees with shared interests, experiences, and values to discuss various issues across all business units and hierarchical levels. These networks help to firmly establish a culture of diversity and respect at the company. They also often help employees develop quick and creative solutions for various tasks and problems and can serve as important partners for diversity-related projects and events.

Daimler has twelve official Employee Resource Groups that bring together around 5,500 employees. These are mostly intercultural, women's, LGBTI+, and role/organization-specific networks that are generally active Group-wide. In order to promote interaction between the networks, the Global Diversity Office organizes regular meetings for the networks' spokespersons.

We increase our employees' awareness and knowledge
Daimler takes measures to increase awareness among employees worldwide about the topics of diversity and inclusion. All employees can use a common platform known as the Global Diversity Community that can be accessed via the Social Intranet. The Global Diversity Community provides information about the strategic orientation of diversity and inclusion at Daimler, as well as access to programs at the company and opportunities to establish networks and exchange ideas, experiences, and information.

Our Social Intranet online knowledge database presents studies, data, and facts and figures and also offers training programs. These programs, which can be used by individual employees or entire teams, cover various topics – for example, reflections on the nature of stereotypes. In addition, all Daimler employees worldwide can complete an online training course that helps them shed preconceptions and prejudices.

We also offer target group-specific qualification measures in order to support our managers with diversity management issues. Consequently, the "Diversity & Inclusion Management" topic area is an integral part of training courses for employees in human resources units. Among other things, these courses also teach participants how to address stereotypes and break down prejudices.

Daimler Diversity Day puts the spotlight on diversity
One day in the year is especially devoted to the topic of diversity: Daimler Diversity Day. Consciously experiencing diversity, taking in new perspectives, and understanding how all employees can profit from diversity management – these are central objectives of Daimler Diversity Day.

Daimler Diversity Day took place for the eighth time in 2020. Last year's event was held under the motto "Link perspectives – bring the mix alive" and was accompanied by various activities at Daimler locations around the globe. Due to the covid-19 pandemic, most activities at many locations were conducted using digital communication formats such as online workshops and discussion rounds.

We are networked and committed
Daimler is a co-initiator and founding member of the employer initiative "Charta der Vielfalt" (Diversity Charter). The Charta der Vielfalt drives forward the substantive discussions of diversity management in Germany by means of various projects such as Daimler Diversity Day. Over 3,300 companies and institutions have already signed the Charta der Vielfalt.

During the year under review, Daimler once again served as a partner for the "DIVERSITY für Vielfalt in der Arbeitswelt" conference on diversity in the workplace. The event has been organized by Charta der Vielfalt e.V. and the publishing company Der Tagesspiegel since 2012. The "Debating Diversity" format that is used during the conference makes it possible to discuss a selected diversity topic in a constructively critical manner. In view of the activities conducted by the international Black Lives Matter movement and the associated debates on racism that have taken place, the diversity topic chosen for 2020 was ethnic origin and its significance in the business world. The central question here was: Does ethnic origin still have an influence on career opportunities in Germany?

How we deal with violations of regulations and guidelines

GRI 406-1

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 plant medical services organization or the Works Council. We fully investigate all reported incidences and we also speak with the individuals involved and document these conversations.

Additional points of contact are the "Infopoint Integrity" and the Whistleblower System BPO. The Whistleblower System BPO can be used by both employees and people from outside the company to report violations. This ensures that we receive information on violations of policy that pose a high risk to the company and its employees. These also include cases of sexual harassment, discrimination, and racism.

A globally valid corporate 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. The policy defines BPO procedures and the responsibilities of the various departments and individuals in the organization. It also defines a standard for evaluating incidents of misconduct and making decisions about their consequences.

Working together for a fair partnership: Whistleblower System BPO

How we assess the effectiveness of our management approach

GRI 103-3

We have developed an Inclusion Index that we use to measure equality of opportunity at the company. The associated analysis is performed every two years within the framework of the employee survey. In this survey, we ask our employees whether they agree with the following statement: "Everyone in this company is treated fairly – independently of their ethnic or cultural background, gender, age, disablement or other characteristics that are not relevant to their job performance." Our goal is to achieve a rate of agreement with this statement of more than 75 percent by 2030. Due to the covid-19 pandemic, we were unable to carry out the employee survey in the reporting year.

As early as 2006 we agreed to increase the proportion of women in management positions and regularly review the progress we make toward our targets. The target for the end of 2020 was a 20 percent share of women in executive management positions at the Group level (excluding Daimler Greater China and Trucks Asia). We achieved this target at the end of 2020 with a share of 20.5 percent.

The Daimler AG Supervisory Board is legally required to have a gender ratio of at least 30 percent 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.

At the end of 2020, 25 percent of the members of the Board of Management were women. This means we exceeded the target of 12.5 percent for the proportion of women on the Board of Management that the Supervisory Board had defined and whose deadline for achievement was December 2020.

47 | Female workforce

GRI 405-1

	2016	2017	2018	2019	**2020**
Europe	36,285	38,696	40,718	40,604	**38,415**
NAFTA	6,208	7,030	8,130	7,915	**7,729**
Latin America	1,652	1,657	1,708	1,771	**1,676**
Africa	1,371	1,466	1,514	1,539	**1,549**
Asia	4,250	4,484	4,658	4,692	**4,415**
Australia/Pacific	305	303	314	314	**279**
Total	**50,071**	**53,636**	**57,042**	**56,835**	**54,063**

48 | Female workforce by group

GRI 405-1

	2016	2017	2018	2019	**2020**
Industrial	9,526	11,116	12,578	12,626	**12,667**
Administration	35,726	37,258	39,073	39,361	**37,905**
Trainees	1,772	1,839	1,814	1,706	**1,579**
Interns/diploma students/ doctoral students	3,047	3,423	3,577	3,142	**1,912**
Total	**50,071**	**53,636**	**57,042**	**56,835**	**54,063**

49 | Female workforce: other key figures (in %)

GRI 405-1

	2016	2017	2018	2019	**2020**
Percentage of women	17.7	18.5	19.1	19.0	**18.7**
Percentage of women in Level 1 to 3 management positions	16.7	17.6	18.8	19.8	**20.5**
Percentage of women at the second management level below the Board*	12.4	11.9	14.4	23.8	**23.5**
Percentage of women at the first management level below the Board*	8.1	8.7	11.8	12.5	**11.8**
Percentage of women on the Board of Management	12.5	25.0	25.0	25.0	**25.0**
Percentage of women on the Supervisory Board	25.0	25.0	30.0	30.0	**30.0**

* Daimler AG

Daimler promotes a safe and healthy work environment

GRI 103-1

Ensuring the health and safety of our employees is a very high priority at Daimler. For example, we design our workplaces in line with ergonomic criteria and offer health maintenance programs and occupational safety training. In everything we do, we focus on the health and safety of our employees. This is because only satisfied and healthy employees can unlock their full potential and thus contribute to the success of the company.

The current covid-19 pandemic is not the only reason why it is so important to have a sustainable health and occupational safety management system in place, as the demographic transformation and advances in technology are also leading to new challenges. As a responsible employer, we seek to ensure that our employees can work in a safe and healthy environment. We utilize a holistic health and occupational safety management system in order to prevent work accidents and work-related illnesses. The focus here is mainly on preventive measures that we continuously review and develop further.

How we ensure safe and healthy working conditions

GRI 103-2 GRI 403-1

Our overarching goal is to prevent health risks and maintain the health of all Daimler employees over the long term.

Our occupational safety strategy sets high standards for the design of workplaces and work processes. Moreover, we are systematically striving to reduce occupational and health-related risks. The Daimler Group operates on the basis of globally uniform guidelines for risk prevention. Our Occupational Health and Safety Policy and our Guidelines on Occupational Health and Safety serve as overarching, internationally valid Group regulations. They are based on international standards and national laws and emphasize the managers' obligation to act responsibly. However, they also underscore the employees' own responsibility.

In 2019 the Group companies updated the Occupational Health and Safety Policy. The revision sought to ensure that the safety standards continue to be upheld in the Group's new structure. The safety standards – for equipment and processes, for example – should guarantee a uniform level of safety at all of our locations, and we conduct due diligence audits at our captive locations in order to ensure that this remains the case.

The policy also describes the structure, operation, and continuous improvement of our management system for health and safety at the workplace. The management system is based on the ISO 45001 standard. These requirements also apply to external companies and their employees. We regularly check external companies to see whether they are meeting the standards – in some cases several times a year.

Since 2019 Daimler has also been committed to achieving ↗ Vision Zero. This global campaign aims to prevent job-related accidents and illnesses and to promote the employees' health, safety, and well-being. Many companies and partner organizations, including the World Health Organization, take part in this campaign at an international level. We introduced a worldwide accident documentation system during the reporting year 2020. This system includes an integrated international digital reporting process that makes it possible to quickly collect data on all covid-19 cases among employees. This in turn enables the plant medical services organization to conduct a rapid contact-tracing procedure. Further information on our measures for dealing with the covid-19 pandemic is available here:

How we are dealing with the covid-19 pandemic

The covid-19 pandemic: Working under changed conditions

Organizing responsibilities

GRI 403-4

Occupational health and safety issues throughout the Group are managed by the Health & Safety unit, which is part of Human Resources and led by the Medical Director of Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. The Health & Safety unit is divided into six competence centers: Occupational Safety, Occupational Medicine, Company Healthcare, Integration Management, Ergonomics, and Social Counseling. Each competence center controls the occupational safety and health management processes in line with regularly updated policies that are valid throughout the Group.

The specific occupational health and safety goals that are set for each location are based on an overall strategy that includes our occupational health and safety guidelines and occupational safety strategy, as well as the results of audits and reviews.

Our managers are responsible for ensuring that all internal policies and legal requirements for occupational health and safety are complied with. The Health & Safety unit helps managers meet their obligations with regard to occupational health and safety. Each location must define the responsibilities and specific obligations in line with local conditions.

All key occupational health and safety issues are discussed on a regular basis with Works Council representatives and management representatives at all levels of the company. All decisions resulting from such discussions are made jointly.

How we are dealing with the covid-19 pandemic

This report is being released as people around the world continue to struggle with the covid-19 pandemic. During the reporting year, we at the Daimler Group therefore implemented numerous measures to slow the spread of the pandemic and protect our employees.

In an initial step, corporate management announced that we would be suspending most of our production operations and all activities in selected administrative departments in Europe for an initial period of two weeks, from March 23 through April 3, 2020. As the covid-19 pandemic worsened, short-time work was then introduced in Germany on April 6. The Group took this step in response to the wide-ranging effects of the coronavirus and the increasingly negative impact the pandemic was having on the economy and society. Only necessary basic functions were excluded from this measure, as well as work on strategic projects and key topics for the future.

We also developed new workplace rules that include preventive hygiene and safety measures for production units and offices, company restaurants, and areas in which staff need to meet with customers. Business travel that was not absolutely necessary was also reduced to a minimum until the end of 2020. We expanded our IT infrastructure in order to enable mobile working and ensure the technical functioning of digital formats such as conference calls and video conferences. Certain locations began gradually resuming operations at the end of April 2020. In order to protect our employees, the company has taken precautions to prevent infection. These measures include hygiene and cleaning standards as well as rules for individual behavior in the workplace. We have also, for example, implemented “shift concepts” in departments and units where physical presence in the office remains necessary.

In addition, a global campaign was launched to make managers and employees more aware of issues relating to the pandemic and provide them with information on specific measures and rules that help protect them against infection. This campaign is continuing in 2021. For example, employees at all of our locations around the world are given information on how to best protect themselves against infection with SARS-CoV-2 in various types of situations. We have also advised our employees to continue working from home whenever possible.

The covid-19 pandemic: Working under changed conditions

Risk management: We assess risks systematically

GRI 403-2/-7

We want to prevent our employees from suffering accidents or having their health impaired. Our Health & Safety unit is therefore pursuing a preventive approach and evaluating the potential risks of workplaces and work processes at an early stage.

We assess risks digitally

The assessment of potential risks plays a key role here. We used an online tool to digitalize parts of this risk management process. The tool is provided by the European Agency for Safety and Health at Work and was expanded for our purposes. It enables us to make risk assessments on desktop computers, tablets or smartphones. The online tool shows the user specific risks that can arise in his or her particular area. The user then only needs to decide whether the suggested measures suffice to reduce the risk to an acceptable level. This risk assessment is then used as a basis for automatically generating instruction documents. We cooperate closely with the European Agency for Safety and Health at Work in this area. The tool is now a part of our regular operations at all of our German locations and at several international locations, such as Kecskemét (Hungary). The system is multilingual and will be supplied to other international locations in the next one or two years.

We assess risks in a uniform manner

At Daimler, we assess the risks of new facilities worldwide along the entire process – from the call for bids to the acceptance stage – in a uniform manner and in line with defined criteria. The assessments are based on our safety concepts, which suppliers implement in accordance with our requirement specifications. The planner is assisted by occupational safety specialists, from the initial idea to the standardized facility acceptance process. Hazardous substances are evaluated by experts. We also assess the mental and ergonomic stress caused by workplaces and the working environment in each case.

In addition, we utilize an external-company management process whose fundamental components are the assessment of mutual risks and the development of appropriate measures on the basis of this risk assessment. We then monitor these measures by means of random checks. The assessment of risks that can arise within the framework of our cooperation with external companies, and the monitoring of the derived measures, will be digitized in the future and depicted in our risk assessment tool. We also have an instructional video that teaches employees at external companies about work safety-related matters.

Our health management system provides care, advice, and support

GRI 403-3

The Daimler Group in Germany offers its employees comprehensive advice on occupational medicine. This care is supplemented by the measures and services of the company health program and the social counseling service. Our company health management system promotes both the mental and physical health of our employees.

The health management systems at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG, for example, focus on preventive approaches that range from the job-related Daimler Health Check and the ergonomic design of workstations to an IT system that makes it easier to reintegrate employees suffering

from permanent limitations imposed by their health. In the latter case, a capabilities profile created by the plant physician for the employee in question is compared with the requirements for various types of jobs. This matching process yields a list of possible jobs that employees suffering from permanent limitations imposed by their health might be considered for.

Employees with health issues at Daimler Mobility AG and Mercedes-Benz Bank AG and their subsidiaries can consult experts at Health & Safety, company physicians, and colleagues at their occupational health and safety departments and the social counseling service. The services offered here include athletic activities, presentations, information and activity days, health coaching and checkups, workshops, and ergonomic consultations. In addition, trainees and student-trainees can participate in special health programs that include healthy breakfasts with a presentation by an ecotrophologist (a specialist in nutrition, household management, and economics) and workshops on how to deal with stress when exams are approaching. Due to the covid-19 pandemic, an increasing number of these programs were conducted online in 2020, and new digital versions of other health programs and services were added as well.

We provide medical care for employees
At Daimler, occupational medicine includes programs and measures for the prevention of work-related illnesses and occupational diseases as well as measures that promote health in the workplace. Moreover, we provide all employees with acute emergency healthcare that includes the treatment of accident-related injuries. This lies within the area of responsibility of our plant physicians worldwide. All employees can use our plant medical services, our social counseling service, and the basic services of our company health promotion programs. These basic company health promotion and emergency healthcare services, as well as acute emergency healthcare, are also available to our temporary workers.

We utilize a holistic approach for promoting health at the company
GRI 403-6

We want to motivate employees to develop healthy lifestyles and reinforce their sense of personal responsibility regarding their health. We promote this objective worldwide with the help of campaigns, counseling, and qualification offerings, as well as with preventive, therapeutic, and rehabilitation measures. All of our production locations in Germany, as well as numerous international locations, have health centers on their premises or cooperate with health centers located near the plants.

Our healthcare centers and those operated by our partners offer our employees programs for the prevention and treatment of problems with their backs and joints, for example, as well as physiotherapy services. In addition, our fit@work exercise machine enables employees to perform fascia training directly at their workstations in order to strengthen their tendons and ligaments. We also conduct a training program for management staff in which managers extensively analyze their own health-related behavior and develop a health-focused management style.

Our social counseling service offers support in situations marked by crisis and conflict
Our internal social counseling service coaches, advises, and supports employees and managers who are experiencing a situation of change, conflict, or crisis in either their professional or private lives. This service is available to all employees in Germany, including temporary workers. The social counseling service also offers unit-specific manager workshops (e.g. on how to help staff deal with change), as well as coaching and qualification programs for managers. All of these workshops and programs for managers focus on the further development of personal sensitivity and psychosocial leadership capabilities that are to be used to address conspicuous, aggressive, or other troubling behavior on the part of employees. Self-reflection concerning the manager's own role here is very important. The key is to take into consideration

- their responsibility for watching out for their employees
- the interests of the company
- the well-being of the manager himself or herself

We focus on ergonomics
Daimler employs an ergonomics strategy and assessment, defined in a company-wide assessment.

The strategy encompasses the following principles and goals:

- No unhealthy workstations – ensured by the optimization of new and existing workstations
- Maintenance of our employees' health and capabilities
- Assignments for employees in line with their respective profiles and abilities
- Use of preventive measures to reduce the occurrence of musculoskeletal disorders
- Managers take on responsibility for keeping their employees healthy

In order to comply with these principles and achieve these goals, we focused on the following measures and areas of action during the reporting year:

- Use of ergonomics standards in all areas of development, planning, and production
- Consideration of ergonomic aspects with all new products – from the concept stage up to series production
- Continuous redesign and improvement of ergonomically critical workstations
- Provision of information on ergonomics to employees and managers; further training and qualification
- Introduction of the ergonomics strategy at an international level
- Design of age-appropriate workstations that will remain viable in the future

We use an IT system to evaluate workstation ergonomics. This tool makes use of relevant data for the given workstation – e.g. component weights, posture when performing different activities, and the degree of physical effort the employee needs to make when carrying out a certain task. Algorithms use this data as a basis for calculating the physical demands of the workstation in question. The result is shown as one of the traffic light colors. This helps us to quickly determine a workstation's potential for improvement and institute corresponding measures. We now use this traffic light system to evaluate all newly created workstations during the planning stage. In this way, we want to avoid workstations with associated ergonomic risks in advance. We also create workstation profiles that enable us to assign employees with physical limitations to jobs that correspond to their capabilities.

We are expanding digital health management programs and activities

How is digitalization affecting the health of our employees, and how can we use digital systems to promote their health and safety? Such questions are being addressed by our #DigitalHealth initiative, which includes various experts from the Health & Safety departments at the Daimler Group in Germany. The #DigitalHealth initiative has a committee which regularly discusses digitalization issues that have a direct effect on health and safety. The committee also advises managers and promotes digitalization at the Health & Safety unit.

During the reporting year, we significantly expanded and intensified our digital health management programs and activities at Daimler in Germany. For example, new company-wide webinars were used to offer training on health issues to numerous employees. In addition, managers whose teams mostly work remotely were able to book health coaching sessions that included digital presentations designed specifically for the team in question.

How we seek to ensure health and safety in production

We use our modular safety concept for human-robot cooperation in all production units. This concept ensures that the relationship between man and machine is safe in all situations. It serves as the basis of the EC declaration of conformity, which is a precondition for obtaining the CE label for safe machines at our facilities. The concept can be flexibly used regardless of whether a robot takes on an assisting or performance-supporting role or operates completely automatically.

We also use work clothes with integrated digital devices (wearable computing systems), as well as exoskeleton systems, in order to simplify work processes. Exoskeleton systems help employees carry out physically strenuous work such as lifting heavy objects. They can also benefit employees with physical disabilities.

How we raise employee awareness of occupational safety issues

GRI 403-5

We are increasingly using media such as videos, various information portals, and online training courses in order to make employees more aware of ergonomics and occupational safety issues.

All new employees are provided with initial instructions regarding the safety-relevant aspects of their workstations. After that, they are required to participate in safety-awareness briefings that are held on a regular basis. We have also developed special online training courses for certain areas of work, including offices in production areas and at development units. In addition, our digital risk assessment tool generates workstation-specific instructions directly on the basis of its risk assessments.

How we assess the effectiveness of our management approach

GRI 103-3 GRI 403-1/-2/-8

We want to design workstations that promote health and effectively prevent accidents. To make this possible, we have our work processes evaluated and we document and transparently report all incidents.

We monitor compliance with safety standards by means of in-house safety due diligence audits that are generally conducted every five years at captive production locations. Due to the covid-19 pandemic, these audits were not performed in the reporting year. Various locations have their occupational safety and health management systems independently certified by external certification agencies in accordance with the ISO 45001 (formerly OHSAS 18001) standard in addition to the safety due diligence audits. Approximately 40 percent of our employees at captive production locations (about 100,000 employees) work at facilities with occupational safety management systems certified according to ISO 45001 or OHSAS 18001.

We document accidents and accident statistics

GRI 403-9

Worldwide, Daimler utilizes several accident documentation systems that generate standardized statistics while taking data protection regulations into account. The statistics are based on documented hours of attendance, lost days, and organizational structures. Among other things, this accident documentation makes it possible for us to identify the causes of accidents, the areas where accidents tend to occur, the pertinent tasks, and the equipment that causes accidents. We registered 2,405 (2019: 2,957) accidents in 2020.

We analyze every accident in order to determine the sequence of events. The affected units are also required to initiate preventive measures. Data on accidents from which other sites can

learn and derive measures is sent to occupational safety experts at all of our locations worldwide.

An effective reporting procedure helps us achieve our occupational health and safety targets.

For this reason all of our locations have to report accidents and accident statistics to Health & Safety. This information is used as the basis for monthly reports of the Group's accident statistics.

50 | Accident frequency*

GRI 403-9

	2016	2017	2018	2019	2020
Occupational accidents	3,444	2,766	3,152	2,957	**2,405**
Accident frequency (number of occupational accidents with at least one day of absence per million attendance hours)	9.4	7.5	7.7	6.8	**6.4**

* Recording rate for Daimler production sites (Mercedes-Benz AG incl. Vans, Daimler Truck AG incl. Buses) worldwide: >99%

51 | Participants in health training courses* (6-day training on exercise, nutrition & relaxation)

GRI 403-6

	2016	2017	2018	2019	2020
Shift workers	556	500	544	460	-**
Managers	292	274	310	123	-**
Executive managers	141	191	177	188	-**

* Daimler AG, Mercedes-Benz AG, Daimler Truck AG in Germany
** The health programs were suspended in 2020 due to the pandemic.

52 | Participants in health trainingPLUS* (health training on the topics of exercise, nutrition & relaxation with several units distributed throughout the year)

GRI 403-6

	2016	2017	2018	2019	2020
Shift workers	219	184	206	252	-**
Managers	123	245	242	304	-**

* Daimler AG, Mercedes-Benz AG, Daimler Truck AG in Germany (health training in exercise, nutrition, and stress relief; several units distributed throughout the year)
** The health programs were suspended in 2020 due to the pandemic.

Partnerships

Strong partnerships

Human beings can only overcome the major social and environmental challenges we face, such as climate change and increasing urbanization, by working together. We at Daimler strive to achieve such cooperation by contributing our expertise to the social dialog and by working together with others to create solutions. We are guided by the vision of utilizing exemplary formats for political dialog that allow us to establish ourselves as a leading corporate citizen in the automotive industry. We seek to actively participate in the political and public opinion-shaping process as a trustworthy partner.

SPURWECHSEL – We are changing lanes

We communicate with our stakeholders reliably and on the basis of facts

We consider it important to precisely understand the interests and expectations of our stakeholders. It's the only way we can determine what our shared positions are so that we can initiate corresponding projects and measures. Our activities for representing our political interests are always aligned with our most important positions as a company. We have developed a "360-degree process" to determine what these are. This process takes both internal and external expectations into consideration. Furthermore, we always communicate with our stakeholders reliably and on the basis of facts.

A constructive international political dialog in our worldwide markets is essential for the sustainability of our business operations. Through our broadly based international network, we are safeguarding our dialog with the political stakeholders. When planning new projects or addressing location-specific topics, we also communicate with local stakeholders so that we can find acceptable solutions and create conditions that benefit everyone concerned.

We focus on the dialog with policy-makers and society at large

GRI 103-1

Representing our company's political interests means engaging in a continuous dialog with decision-makers, including politicians, government and public officials, and representatives of political interest groups, trade organizations, and business associations. We hold discussions with such individuals at various levels, listen to what they have to say, communicate our interests and concerns to them, and declare our willingness to assume social responsibility. Another of our tasks is the dialog with representatives of non-governmental organizations (NGOs) and various social movements.

Our strategy for representing our political interests is always aligned with our corporate strategy, so the transformation of the Group and of the automotive industry as a whole plays an especially important role in our talks.

We have developed various event and dialog formats in order to enable open discussions. We use these formats to specifically approach decision-makers and other societal stakeholders in order to discuss not only core topics in the automotive industry but also relevant issues that will shape our future. In doing so, we are open to other viewpoints so that we can learn from them. Moreover, we contribute our knowledge and commitment to these discussions. We also use external platforms to talk with government officials, politically and socially committed groups, opinion leaders, and experts in order to work with them on the transformation of the automotive industry. 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 on the Future of Mobility and many other forums.

How we conduct our work responsibly

GRI 103-2

Daimler has defined its own principles for political dialog and the responsible communication of our interests. Among other things, we maintain political restraint, balance, and neutrality in our dealings with political parties, members of parliament, and government officials.

We use various instruments to ensure that the political representation of our interests is carried out in accordance with applicable regulations and ethical standards. In our work as a member of sector associations and in our cooperation with other companies, we pay particular attention to antitrust regulations. We have also defined internally binding requirements that are laid down, among other things, in a globally valid policy and in the Group's ↗ Integrity Code. In addition, our policy for "Lobbying and Political Donations/Donations to Political Parties" governs grants, donations to political parties, and the use of other instruments for representing our interests in the political realm. Our employees can find these policies in the policy database on the intranet. Daimler is also listed in the ↗ transparency register of the European Union and complies with the register's Code of Conduct. In Germany, we are calling for the creation of a national lobby register.

The policies mentioned above also define how we intend to address risks in connection with the political representation of our interests. These risks are also addressed through firmly established Group-wide compliance processes. Complaints and information relating to our other activities for the political representation of our interests can be addressed to our Whistleblower System BPO. In accordance with the legal requirements and our in-house policies, we also regularly conduct training courses. We train not only employees at Daimler Group companies but also other employees at Daimler AG who represent our interests and who are not organizationally under the direction of the External Affairs unit.

Working together for a fair partnership: Whistleblower System BPO

Central coordination of the representation of our interests

Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy (EA) unit, which is located in Stuttgart and falls under the responsibility of the Chairman of the Board of Management. The EA unit shapes the Group's relations via a global network with offices in Berlin, Brussels, Beijing, Madrid, and Washington as well as corporate representations in our markets. Our aim is to provide content that has been coordinated throughout the Group for the political representation of our interests and to address political and social target groups in a coordinated manner.

The head of the EA unit is a permanent member of the Group Sustainability Board and as such is an active contributor to its work on many sustainability-related topics. In addition, External Affairs cooperates closely with the members of the Board of Management and the specialist units on questions related to the representation of our interests. To this end, the unit organizes the meetings of the Governmental Affairs Committees for various Board of Management divisions. At these meetings, which are held several times per year, the Head of External Affairs and other representatives from the unit hold discussions with Board of Management members and other top managers to coordinate the positions and processes that are important for the company. We ensure that the positions taken in the political representation of our interests correspond with the goals and content of Daimler's sustainable business strategy as well as with our policies and other public statements.

In accordance with our policy, employees at controlled Group companies of the Daimler Group and Daimler AG who represent our interests must register with the External Affairs unit if they are not organizationally under its direction. We recruit new personnel for the EA unit as part of the standardized Daimler human resources processes. Individuals at the EA unit are

remunerated at the same rate as employees at the same levels of the hierarchy within other parts of the Group.

EA uses a variety of formats, such as the virtual political dialog at EvoBus Neu-Ulm in November 2020, to ensure the continuous sharing of information between external stakeholders and company representatives. Depending on the format, this task is performed by employees of the EA unit or by colleagues who represent Daimler's political interests as part of their activities abroad. Managers from the respective locations generally take part as well in order to hold discussions about current topics with social and political leaders.

During the reporting year, the covid-19 pandemic prevented many events from being staged as we had planned.

What we want to achieve

Daimler wishes to take part in political and public opinion-shaping processes as a trustworthy and dependable discussion partner. The overarching goal of our approach here is to harmonize the company's interests with those of society at large. The specific aim of our discussions with political decision-makers is to achieve greater planning security for Daimler. During the reporting year, we focused on the following issues in particular:

Achieving climate targets and improving air quality
For Daimler, the Paris Agreement on climate protection is more than a commitment, as we fully support the agreed-upon climate protection targets. To this end, we are investing extensively in the development and production of alternative drive systems in line with our motto "Electric First." To achieve the mobility sector's climate goals, we need a regulatory framework that is stable over the long term and is not tied to any specific technology. In addition to setting technological CO_2 reduction targets and creating incentives for e-mobility, governments should more strongly mobilize market forces for the goal of climate protection. As a result, we support CO_2-pricing mechanisms for fuels – either by including the emissions trade or imposing a CO_2-based tax.

We would also like to emphasize that a demand-based charging infrastructure is needed for the rapid expansion of electric mobility. For example, highways urgently need to be equipped with fast-charging stations that feature high charging power and a customer-friendly payment system. In addition, enough energy must be made available from renewable sources so that the goal of climate-neutral mobility can be achieved.

Moreover, we are convinced that different drive systems can and must all contribute to decarbonization. We therefore expect that, besides electric mobility, synthetic fuels (e-fuels) will have a role to play reducing the CO_2 emissions of the existing vehicle fleet. Fuel-cell vehicles are another important climate-friendly option. This applies especially to the transportation of loads that require a lot of energy. Fuel cells are particularly well suited for heavy-duty commercial vehicles that run on long-haul routes. Governments should promote the development of these diverse drive systems by means of suitable incentives and taxation systems.

We are committed to improving air quality in cities. We have achieved a great deal in this regard in recent years (fleet renewal, voluntary hardware retrofitting program in cities that are especially affected by pollution, and voluntary software updates for achieving significant NO_x reductions).

In addition to these measures, internationally coordinated conditions should be created for improving air quality further. Future vehicle emission regulations should be based on existing and expected air quality issues. Moreover, the methods used to measure emissions must be technologically mature and robust. Industry should therefore be given a sufficient amount of lead time in order to implement these measures.

Climate protection & air quality

Making cities more livable
Clean, safe, generally accessible, and affordable mobility is a precondition for a high quality of life in cities. To make this possible, smart systems are needed in order to link all of the transportation systems to one another and coordinate their use. Preferably, each transportation system should be used wherever it offers the most benefits. An important precondition for this is that the public charging infrastructure should be expanded in cities and along main traffic arteries.

Livable cities

Improving traffic safety
Vehicle and traffic safety have always been and continue to be an important focus of our vehicle development activities. Daimler supports the efforts undertaken by government authorities to achieve further improvements in traffic safety by means of automated driving, for example.

Traffic safety

Establishing standards for human rights due diligence
For Daimler, respect for human rights is a fundamental component of responsible corporate governance and part of our sustainable business strategy. Our commitment and goal is to ensure that human rights are respected and upheld in all of our Group companies and by our suppliers.

In order to implement our sustainability requirements along the supply chain, we advocate the creation of uniformly accepted standards – ideally at an international level. A statutory regulation can help to create legal certainty and internationally accepted uniform standards. In order to promote fair competition, the regulation should also create equal competitive conditions for everyone in the future. In this way human rights in global value chains can be further strengthened. Moreover, the scope of due diligence obligations must be clearly defined with regard

to human rights. Due diligence obligations should be limited to the actual scope of economic influence and juridical authority along the supply chain and value chain in order to ensure that measures are adequate and can be implemented.

Human rights

Creating transparency with regard to sustainable financing
Daimler supports the goal of sustainable financing in order to promote investments in sustainable growth. A correctly designed taxonomy of sustainable business operations can help to make markets more transparent and guide investments toward sustainable activities.

Sustainable corporate governance

Solving location-specific issues through dialog
We are in close contact with political and social stakeholders in the vicinity of our plants. Our top priority here is to harmonize the interests of our plants and the concerns of the local stakeholders.

Promoting free and fair trade
As a globally operating company, Daimler promotes free and fair trade. Free trade and investments are key factors for innovation, employment, growth, and prosperity.

Modernizing labor laws
In order to comply with the requirements of digitalization and the transformation of the automotive industry, we advocate modernization of the labor laws. Among other things, they should be adapted to the rising demand for flexible working time models. We consider the Universal Declaration of Human Rights and the Core Labour Standards of the International Labour Organization (ILO) to be particularly important for the shaping of labor laws.

People

How we handle donations to political parties and other political organizations

GRI 415-1

The entire Board of Management of Daimler AG is required to approve all donations to political parties (regardless of the amount) as well as all donations of €50,000 or more (including taxes) to other organizations. Furthermore, the EA unit has to submit its opinion before any decision can be made. Daimler did not make any financial or non-financial contributions to political parties during the reporting period. This decision was not based on current political or economic events.

We are actively involved in associations and initiatives

GRI 102-12/-13

In addition to direct dialog with political decision-makers, we are also involved in industrial associations, such as the German Association of the Automotive Industry (VDA). Associations assume a national political responsibility because they express the business interests of a variety of companies or sectors and serve as a point of contact for governments. Here too, we participate in politically relevant debates, such as the discussion of the air quality in German cities and the promotion of sustainable mobility. We are also actively participating in the development of innovative solutions by means of our know-how and our technology. We also maintain regular contact with representatives of civic organizations and other companies. Moreover, we participate in further associations, committees, and sustainability initiatives in addition to the dialogs that we have initiated ourselves.

Daimler has set its own goals for the reduction of CO_2 emissions. These are based on the latest findings of climate research regarding the measures that are needed to achieve the targets of the Paris Agreement on climate protection.

We have defined measures with which we intend to attain these goals. We commission an external auditing firm to audit selected objectives and implementation measures. We have also defined a concrete CO_2 reduction pathway in accordance with the requirements of the Science Based Targets Initiative (SBTi). The SBTI confirmed the pathway's compliance with the Paris Agreement on climate protection.

Our involvement in this initiative has further underscored our commitment to achieving the climate goals.

Memberships

Making strategic decisions in a dialog with stakeholders

Achieving transparency by means of municipal and regional dialogs

We also hold discussions with our stakeholders at the local level. 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 dialog and information events on current topics as part of the further development of our political representation of interests. An example of this is the exchange with NGOs in Berlin.

Another example was the virtual interim results conference of the strategic dialog for the automotive industry in Baden-Württemberg in September 2020. The aim of this meeting was to present the transformation of the automotive sector to a broad audience. Daimler used this opportunity to inform people about the latest trends in training and professional development.

In addition, we presented our activities for urban mobility and chatted with virtual visitors. The results of all of our dialog measures are incorporated into decision-making and decision implementation processes at the company.

Experimenting with new dialog formats

In dialog with citizens, politics, economy and NGOs we discussed current topics and jointly worked with them to find answers to social and environmental questions. The focus was on sustainability, electric mobility, digitalization and urbanization, and the impact these issues have on society. Various formats were utilized at different locations in Berlin. These included an internal series of talks on the topic of “Transformation in the New Normal”.

As part of the further development of our political representation of interests we want to engage in a dialog with our stakeholders, who are playing a growing role in an increasingly critically-minded civil society. To this end, we want to cooperate internally as well as externally with new partners who also provide access to new target groups. Exactly this direct engagement with a broader, well-informed and above all interested public is very important to us. At the same time we will be able – and intend to – define topics and initiate discussions both within and outside the company.

The covid-19 pandemic caused the DML events to be held as either safe hybrid formats or entirely in the digital sphere. In 2021 the events will initially be purely digital. Among other things, they will address Daimler’s six strategic areas of action on sustainability.

How we assess the effectiveness of our management approach

GRI 103-3

The EA unit regularly reports to the Advisory Board for Integrity and Corporate Responsibility about its activities and incorporates the Advisory Board’s feedback into its planning. In addition, the EA unit also regularly submits reports about its activities to the Supervisory Board of Daimler AG.

We would like to address the expectations of our stakeholders in an even more targeted manner in the future. We are therefore developing innovative dialog formats especially with our stakeholders in mind. Furthermore, we are planning to establish additional dialog formats at various international locations, such as Washington, D.C. and Brussels.

Supply chain

Supply chain

We monitor the supply chains

GRI 103-1

Investors and analysts – and legislators and societies as well – are increasingly calling on the automotive industry to ensure greater sustainability throughout the supply chain. The expansion of e-mobility, in particular, is shifting the focus on the upstream value chain. The production of batteries in particular is especially energy-intensive and causes large amounts of CO_2 emissions. Batteries also require raw materials such as lithium and cobalt. However, the mining and processing of such materials can potentially result in human rights violations and negative environmental effects, because these materials sometimes come from countries that lack sufficient environmental and social standards.

Daimler is convinced that companies that want to be sustainable must also focus on their supply chain. This is because we procure raw materials indirectly, and components and services directly, from all over the world. Our goal is to combine achieving business success with acting responsibly toward the environment, people, and society – and doing so along the entire value chain. We also expect our direct suppliers to display the same sense of responsibility by complying with environmental and social standards.

Sustainable supply chain management also offers us many opportunities. Our commitment enables us to establish good business practices on markets worldwide and thus make a valuable contribution to respecting and upholding human rights as well as to protecting the environment and the climate. At the same time, our sustainable supply chain management increases our stakeholders' trust in Daimler as a responsible partner.

We manage our supply chain sustainably

GRI 103-2 GRI 102-9/-10

Our vehicles generally contain several thousand parts and components, and our supply chain is therefore complex. It comprises around 60,000 direct suppliers for production and non-production materials, with most of them based in Europe, North America, and Asia. These suppliers in turn have sub-suppliers, and sometimes a supply chain can contain up to seven or eight tier levels, with additional sub-suppliers on each level. With every innovation and every market development, the supply chain dynamically develops further – and this also occurred during the reporting period.

We use a variety of measures and concepts in order to ensure the sustainable management of our supply chain. These include supplier screenings, audits, risk-based due diligence analyses, qualification modules for production material suppliers, and additional workshops with selected service providers. Our goal here is to ensure compliance with social standards and environmental regulations on the one hand and greater transparency in the supply chain on the other.

Our three procurement units – Mercedes-Benz Cars Procurement and Supplier Quality, Global Procurement Trucks and Buses, and International Procurement Services – work together to ensure responsible procurement of materials and services.

The Daimler ↗ Supplier Sustainability Standards serve as the guidelines for our sustainable supply chain management system. They define our requirements for working conditions, respecting and upholding human rights, environmental protection, safety, business ethics, and compliance. The Supplier Sustainability Standards focus, among other things, on the following human rights, compliance, and environmental aspects:

- Free choice of employment
- Condemnation of child labor
- Equal opportunity and a ban on discrimination
- Freedom of association and the right to engage in collective bargaining
- Health management and occupational safety
- Fair remuneration, working times, and social benefits
- Fair competition
- Prevention of conflicts of interest
- Maintaining business secrecy
- Environmentally friendly production and products
- Product safety and quality

We demand that our direct suppliers recognize these sustainability standards and communicate them to their employees and to their upstream value chains. We also expect them to check to ensure that the standards are complied with. For this purpose, Mercedes-Benz AG developed a prototype blockchain in a pilot project. This blockchain enables users to forward information and documents such as certificates and ⓘ codes of conduct along their supply chains transparently and in a traceable manner. Mercedes-Benz Cars & Vans has continued to pursue this approach with a follow-up project since 2020. Once the project has been successfully completed, it will also be possible to adapt this approach to the needs of Daimler Trucks & Buses.

During the year under review, we tightened our sustainability requirements for suppliers even further and revised our contractual terms accordingly. For example, we now require our suppliers to establish processes that ensure the fulfillment of human rights due diligence obligations in accordance with the provisions of the UN Guiding Principles on Business and Human Rights and the relevant OECD guidelines and principles. We also reserve the right to examine and audit these processes. In addition, suppliers are required to inform us of any human

rights risks and countermeasures identified. They must also disclose to us upon request any risk hotspots that exist along their supply chain. We have also revised our contractual terms with regard to our specific environmental requirements. For example, direct suppliers that provide production materials to the Mercedes-Benz Cars and Vans division must now disclose certain environmental figures – including their CO_2 emissions, energy and water consumption, and the amount of waste they produce, for example.

How we ensure compliance with our standards

GRI 414-1 GRI 308-1

We systematically check whether our standards are complied with. The evaluation of new and existing suppliers according to sustainability standards is firmly embedded in the processes of our three procurement units.

International Procurement Services, which is responsible for the procurement of non-production material, evaluates all of the new suppliers in high-risk countries and critical procurement segments to determine if they fulfill social and environmental standards, are ethical in their business operations, and properly handle policies. In addition, the procurement unit engages in a dialog with selected suppliers worldwide and discusses human rights issues. Every year, International Procurement Services evaluates all existing service providers to determine if there is anything conspicuous that would be critical from a social point of view. Moreover, an audit team determines whether the service providers in Germany meet legal and collective bargaining conditions and whether suppliers comply with Daimler's requirements.

Mercedes-Benz Cars Procurement and Supplier Quality as well as Global Procurement Trucks & Buses (both of which are responsible for the procurement of production material) evaluate all new suppliers on site to determine whether they meet sustainability standards before they are given any orders. During this evaluation, the unit especially asks questions regarding social standards, including working hours, remuneration, and freedom of association. Such examinations are even more thorough in high-risk countries and include a review of child labor as a standard procedure.

We also examine our existing direct suppliers within the framework of risk analyses conducted on a regular basis. Among other things, we conduct annual database research to identify any violations of our sustainability and compliance rules. This is part of our supplier screening process. We make these evaluations so that we can detect violations at an early stage on the basis of up-to-date supplier data. In 2020 we conducted a total of 658 on-site reviews at suppliers of production materials. By way of exception, some of these audits were conducted virtually because of the covid-19 pandemic.

However, we not only analyze social aspects but also check to see whether suppliers have environmental certificates. We also expect our suppliers of production materials to operate with an environmental management system that is certified according to ISO 14001, EMAS or other comparable standards. Depending on the specific risks, this also applies to suppliers of non-production materials, such as painting services. If a supplier does not have a certified environmental management system, the supplier is given two years to set up such a system and have it certified. If this is not done, the supplier may be excluded from receiving new orders.

In order to ensure an effective sustainable supplier management system, we assign high priority to the comparability of the survey results. For this reason, we work with standardized instruments such as the industry-wide sustainability Self-Assessment Questionnaire developed by the European Drive Sustainability initiative. Mercedes Benz Cars & Vans requires all of its suppliers to fill out the Self-Assessment Questionnaire. During the reporting year, Daimler Trucks & Buses also used self-assessment questionnaires to evaluate the sustainability performance of new suppliers and existing suppliers on the basis of risk.

We systematically investigate all reports of violations

If on-site audits or database searches raise doubts regarding a new or existing supplier's sustainability performance, the responsible procurement unit initiates a more in-depth review. If we become aware of a suspected violation, we first bring together ask the suppliers to respond to the allegations.These questions require suppliers to provide information about their sustainability management system or how they involve their own suppliers. If the results of such surveys indicate insufficient sustainability performance, we instruct the supplier in question to improve the relevant processes. If the supplier does not sufficiently remedy the criticized processes, we make individual decisions regarding the next steps. In especially severe cases, these decisions are made by management bodies. As a last resort, this can cause us to discontinue business with a supplier.

We promote the responsible use of data among our suppliers

Before we commission a service provider who processes personal data, we check whether this company can process the data received in compliance with legal requirements, especially those of the EU's General Data Protection Regulation (GDPR). The decisive consideration is whether the service provider can demonstrate that it institutes suitable technical and organizational measures for ensuring data security.

Data responsibility

We train our suppliers and raise their awareness

A shared understanding of sustainability and know-how regarding the correct implementation of the applicable requirements are prerequisites for successful sustainability management in the supply chain. We have correspondingly sensitized and informed our suppliers for many years by means of appropriate training modules. Wherever suitable, we have also done so as part of our involvement in various associations.

Since 2018, we have been cooperating with the Drive Sustainability initiative on the implementation of measures to make suppliers in various focus countries such as India and Argentina more aware of the importance of sustainability, and we also provide such suppliers with information on this issue. We select the focus countries jointly with the initiative. However, due to the covid-19 pandemic, no physical training modules took place in 2020. Instead, a concept for a new e-learning-program was implemented.

We also developed the ↗ Supplier Compliance Awareness Module on the basis of our sustainability standards for the suppliers and our Integrity Code. This module helps suppliers handle possible integrity and compliance-related risks. The Compliance Awareness Module is intended to provide suppliers with an overview of the compliance principles that are currently valid at Daimler and inform them of the company's expectations. The module contains various case studies concerning our compliance theme fields in order to provide assistance and guidance. In addition, it clearly stipulates what we expect of the suppliers when it comes to integrity and provides information about legal requirements and ethical standards. All suppliers can access the module at the Daimler Supplier Portal at any time. They can also forward this module to their business partners in the supply chain.

Integrity and compliance

In the area of service providers, we implement additional measures to raise awareness of human rights issues in particular. For example, a cross-functional team from our procurement units meets with suppliers in Good Practice Sharing Workshops, which have also been held online since the spring of 2020. The workshops promote an open and constructive exchange of ideas and experiences among the participants, and they also provide information on what we expect from our business partners.

We are actively involved in automotive associations and initiatives

Daimler has been active for a long time in a variety of automotive and industry associations that address the issue of sustainability in the supply chain. These memberships help us to improve sustainability in complex supply chains by jointly implementing the necessary measures. These include the following:

- **UN Global Compact:** Daimler is a member of the LEAD group and takes part in two action platforms (Decent Work in Global Supply Chains and Reporting).
- **German Global Compact Network:** Daimler is the sponsor for human rights issues and a member of the steering committee.
- **econsense – German Business Forum for Sustainable Development:** Daimler is the sponsor for human rights issues and a member of the Human Rights & Value Chain cluster.
- **German Association of the Automotive Industry (VDA):** Daimler also promotes sustainability in the supply chain as a member of the VDA. The VDA is currently working together with its member companies to develop a standardized assessment and exchange mechanism for the evaluation of the sustainability performance of enterprises within automotive supply chains. The goal here is to improve the sustainability of supply chains by means of on-site assessments and their tracking.
- **Drive Sustainability:** Daimler is the LEAD partner of the European automotive industry initiative Drive Sustainability, which promotes sustainability in the supply chain. The "Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain" play an important role here. They provide us with globally recognized minimum social and environmental standards for the supply chain.
- **"Automotive industry dialog" of Germany's National Action Plan on Business and Human Rights (NAP):** Daimler takes part in the automotive industry's NAP dialog. The aim is to work together with representatives of civil society, the science and business communities, associations, and the political sphere to develop solutions for strengthening human rights in supply chains.

We promote human rights within our supply chains

In order to make our supply chains more sustainable, we have to further increase transparency and traceability, as this is the only way we can detect potential human rights risks and negative effects early on. We therefore employ comprehensive measures for fulfilling our human rights-related due diligence obligations.

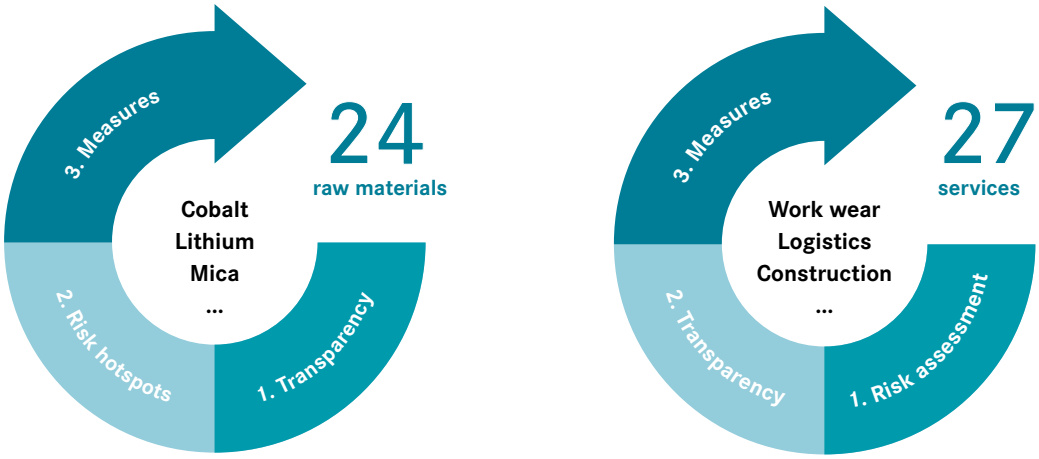
How we evaluate our supply chains

GRI 414-2

By means of our due diligence approach, the Human Rights Respect System, we evaluate whether human rights-related due diligence obligations are fulfilled within our supply chain. Within the framework of an advance risk assessment, we have identified 24 raw materials and 27 services whose use, extraction or further processing pose potentially critical human rights risks. This risk assessment is based on a variety of international reference documents, including the Child and Forced Labor List from the US Department of Labor, for example.

53 | Critical raw materials and services in the supply chain

Daimler identifies risks and systematically addresses them



Extraction and mining methods, and the countries where raw materials are located, all play an important role in our analyses. To assess risks in the services sector, we also use indices that help us focus on countries where human rights are subject to an increased risk.

The procurement units of Mercedes-Benz AG and Daimler Truck AG jointly conduct comprehensive human rights assessments for raw materials that pose an increased risk of human rights violations. Each division supervises the assessment of specific raw materials.

This review process basically consists of three steps:

1. We create transparency along the raw material supply chains – especially with regard to certain key components such as battery cells.
2. We identify risk hotspots in these supply chains.
3. We define and implement measures for the risk hotspots and make sure that they are effective.

By the end of 2020 we had assessed 24 percent of all high-risk raw materials in this way, and thus exceeded our goal of 20 percent. We want to gradually increase this percentage. By the end of 2021, we plan to assess 30 percent of all high-risk raw materials. This figure is set to rise to 70 percent by 2025. By 2028, we want to define appropriate measures for 100 percent of our raw materials that pose an increased risk of human rights violations.

We pursue an approach of "using leverage before withdrawing" with regard to critical raw materials

Daimler does not completely rule out conflict zones and high-risk areas as sources for critical raw materials. Rather, our approach aims to improve the situation on the ground for people and strengthen their rights. In doing so, we are also following the recommendations of NGOs, governments, and other relevant interest groups, who suggest that companies not withdraw from critical countries. In this connection, the principle of "using leverage before withdrawing" is especially important: We want to actively contribute to the protection of people and the environment in our supply chains instead of turning our backs on problems. To do this, we are closely cooperating with relevant stakeholders in raw material supply chains.

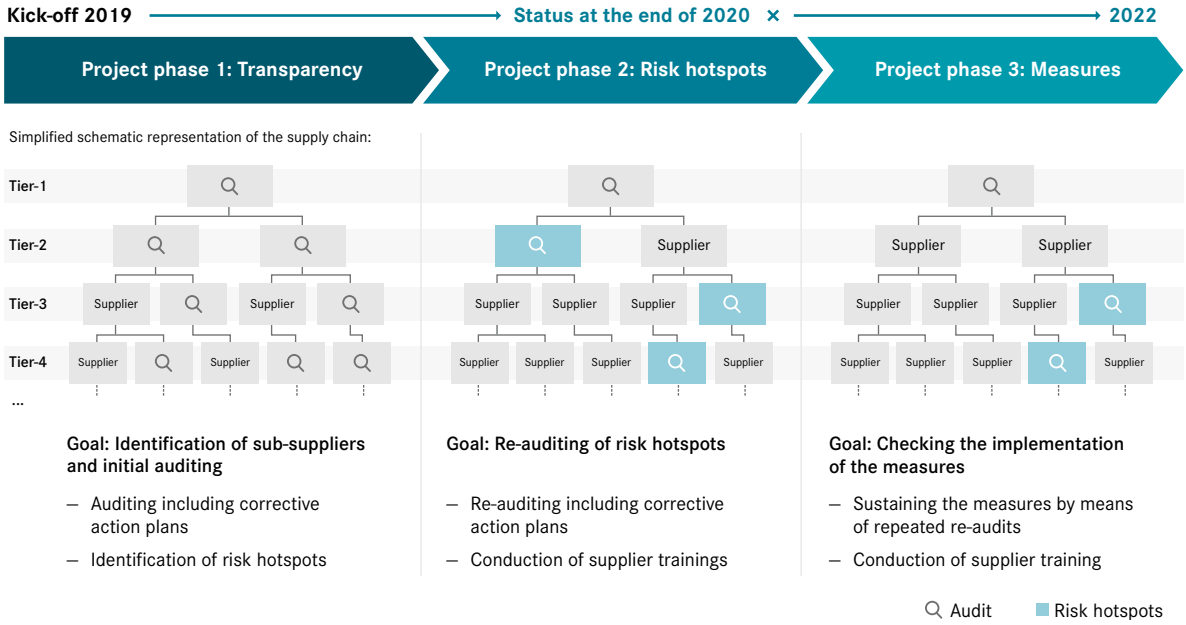
Cobalt: Respecting and upholding human rights in the supply chain has top priority for us

Cobalt is an important raw material for the production of batteries for electric cars and commercial vehicles. The world's largest deposits of this material are found in the Democratic Republic of Congo (DR Congo). Transparency is an essential precondition so that human rights risks can be more effectively identified and counteracted in cooperation with our suppliers.

In 2019 Mercedes-Benz Cars & Vans commissioned a three-year evaluation program, in which the external auditing and consulting company RCS Global audits the cobalt supply chains of the battery cell suppliers in accordance with ℹ OECD guidelines. This audit also includes the battery cell suppliers used by both Mercedes-Benz AG and Daimler Trucks & Buses AG. The evaluation considers aspects such as the avoidance of child labor and modern slavery in addition to occupational health and safety, material control, and existing due diligence systems.

54 | Auditing of the cobalt supply chain according to OECD guidelines

The three-year auditing program for battery cells with RCS global



In 2018, as part of a pilot project, RCS Global had already audited the cobalt supply chain of one of the battery cell suppliers in accordance with the OECD guidelines and agreed on appropriate corrective measures. The findings were subsequently incorporated into the auditing program for the cobalt supply chains, which Mercedes-Benz Cars & Vans and RCS Global launched in 2019. The program's primary goals are:

1. Transparency and review of the company's cobalt supply chain from the battery cell supplier to the location of the mine

2. Review and improvement of the due diligence management systems and procurement practices of the suppliers in the cobalt supply chain

In the first year, the focus was on achieving transparency and conducting the first audits of the cobalt supply chains. Each stage of the supply chain was then evaluated in succession – from the downstream battery and cathode manufacturers to the refineries, smelters, and mines. This enabled Mercedes-Benz Cars & Vans to depict the supply chain beyond the first tier and to identify the associated risks. If necessary, corresponding corrective action was developed for the supplier in question. The program also monitors whether the action is actually implemented. In addition, the program offers on-site training courses that are tailored to each individual supplier. In this way, the program is intended to help direct and indirect suppliers meet international standards and the expectations of stakeholders with regard to the cobalt due diligence obligations.

Since 2020 the focus has primarily been on risk hotspots. This means that selected suppliers are prioritized for renewed audits and support measures. Mercedes-Benz Cars & Vans has identified more than 120 suppliers and conducted over 60 audits since the program was launched.

The audits did not discover any human rights violations. However, the suppliers often lacked corresponding human rights policies or due diligence systems – against child labor, for example – to prevent such abuses. The suppliers achieved comparatively better results for their health and safety management. A health and safety issue was nevertheless detected at one of the mines. During the reporting year, the subcontractor terminated its supply relationship with the mine in question. It will not be resumed until the situation has improved. We are in contact with the subcontractor regarding this matter.

The large majority of the suppliers were transparent and worked together with the auditors without any hesitation. They provided them with access to information, personnel, and facilities. Following the audits, Mercedes-Benz AG continued to work together with the evaluated suppliers in order to monitor their progress. To this end, it called on every supplier to agree to an individual corrective action.

Mercedes-Benz AG is also relying on effective sustainability standards. Consequently it has made the ↗ Standard for Responsible Mining of the Initiative for Responsible Mining Assurance (IRMA) a key criterion for making decisions regarding suppliers in raw material supply chains.

In the future, Mercedes-Benz Cars & Vans will require mines of the cobalt and lithium supply chains to be subjected to an IRMA audit before any orders are placed. In the next step, the standard is to be expanded to include additional raw materials – initially these will be other materials for batteries. Daimler Trucks will also only procure battery cells containing cobalt and lithium from certified mining operations in the future. This will initially only pertain to a part of the battery cells for series-produced electric trucks. We are currently determining whether its scope will be expanded.

Daimler fulfills special due diligence for conflict minerals
An enhanced measure of due diligence is required for so-called conflict minerals tin, tantalum, tungsten and gold. These minerals (abbreviation: 3TG) are among the "conflict minerals," which means that their extraction and trade frequently causes violent conflict in the Democratic Republic of the Congo and neighboring countries. Moreover, the trade with these raw materials can sometimes help to fund armed groups.

Although Daimler is not subject to the regulations of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Regulation (EU) 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas, we nevertheless take our responsibilities as an automaker very seriously and are committed to the responsible procurement of 3TG. Daimler has been a member of the Responsible Minerals Initiative (RMI) since 2018. This cross-sector initiative aims to prevent human rights violations and improve transparency along the entire 3TG supply chain. As an independent third party, the RMI is responsible for an auditing program for due diligence measures at smelters and refineries that process conflict minerals. Because these facilities mix materials from a variety of sources, it is important that the due diligence obligations are met in the supply chain before the materials arrive at the smelters. This is the aim of the RMI's Responsible Minerals Assurance Process (RMAP).

Mercedes-Benz AG has made compliance with the RMAP requirements mandatory for order placement. Suppliers whose products contain 3TG are requested to submit a report to Mercedes-Benz AG each year. To obtain the data required, we use the standardized Conflict Minerals Reporting Templates of the RMI. If anything unusual is detected, Mercedes-Benz AG contacts its direct suppliers and, if necessary, asks them to remove non-compliant smelters and refineries from the Mercedes-Benz supply chain.

With regard to the raw materials tin and tungsten, which are directly procured in small amounts, Mercedes-Benz Cars & Vans as well as Trucks & Buses also use RMI's standardized reporting formats and audit protocols. In addition, we closely monitor the direct procurement paths of these two raw materials as part of our HRRS. We are therefore in continuous communication with the affected suppliers and, among other things, use questionnaires to evaluate due diligence activities.

Mica: How we want to improve working conditions in the mines
Mica is a raw material that is used in vehicle paints, for example. Although it is not directly procured by Daimler, it was defined as a potentially critical resource along with 23 other raw materials during a preliminary HRRS risk assessment. That is because the mining of mica has repeatedly been connected with human rights violations, especially child labor in India. In order to address these risks, we reviewed the complete supply chain for mica in 2018 – from the mine to the painting of vehicles in manufacturing plants. In this way, we created transparency across the entire mica and paint supply chain in order to identify any problems that might exist and then define corrective actions. This was done, for example, by a team of quality engineers and human rights experts who audited three mines and three mica processors in India with regard to human rights.

Mercedes-Benz Cars & Vans continues to be in contact with these mica suppliers. Here we discuss how the implementation of the measures is progressing as well as the results of the ongoing audit of the mines by a local partner organization of the supplier. During the reporting year, we repeatedly examined the implementation and progress of the respective measures.

In September 2020 we joined the Responsible Mica Initiative, which promotes the creation of a fair, responsible, and sustainable mica supply chain in India. It aims to completely eliminate child labor and unacceptable working conditions in mica mines by 2022. To make this possible, Daimler AG is working together with other companies, NGOs, sector associations, and government officials to develop standards for responsible working conditions, strengthen local communities, and support the creation of a legal framework for the mica industry.

Daimler has also teamed up with the NGO Terre des Hommes Netherlands for a project in Jharkhand, India, which aims to help children in the vicinity of the mica mines attend school and support their families financially.

Corporate citizenship

Natural rubber: We are cooperating with our suppliers to promote transparency and traceability
In our HRRS we have also defined natural rubber as a high-risk raw material. Because natural rubber is mainly used in tires, we not only ask questions of our own suppliers but also work together closely with initiatives, associations, and our partners in the tire industry. As early as 2019 we held talks with our key tire manufacturers in order to identify risks in the supply chain and use this as a basis for deriving appropriate measures. During the reporting year, we cooperated with other tire manufacturers in order to come up with concrete measures. These dialogs showed that the natural rubber supply chain is very complex because it involves many small farmers and dealers. As a result, the tire suppliers have initiated a variety of projects for improving the transparency and traceability of the raw materials. We and our partners regularly discuss how the projects are progressing.

As a leading member of the sector's Drive Sustainability initiative, we also support the Global Platform for Sustainable Natural Rubber initiative, which promotes a fair, just, and environmentally compatible natural rubber supply chain.

Platinum and palladium: How we identify risks in the supply chain
Platinum and palladium are other raw materials that are prioritized by our HRRS. As a first step, our raw material assessments for platinum and palladium created transparency regarding the products that contain these precious metals as well as their suppliers. We then asked the suppliers to fill out our critical substance questionnaire. Our goal was to identify areas in the supply chain that could be critical from a human rights standpoint as well as to determine the source of the raw materials. In addition, we began a dialog with the suppliers in order to identify the risks in the supply chains of platinum and palladium and define further measures. The assessments and supplier talks had not yet been completed by the end of the reporting period.

We systematically investigate complaints

GRI 407-1 GRI 408-1 GRI 409-1

Our complaint management process enables individuals to draw attention to possible human rights violations at suppliers. In this context, we work together closely with the World Employee Committee. We also investigate specific cases that NGOs bring to our attention.

We systematically follow up on all reports of violations and suspected violations in the supply chain. In cases where we identify a need to take action, we implement the necessary measures. If we become aware of a suspected violation, we first bring together all the available information and ask the suppliers to respond to the allegations. We then assess the facts of each case and take any necessary measures. This may mean that we will work with the supplier in question to solve the problem. However, it may also mean that we will terminate the business relationship with that supplier.

During the year under review, our on-site inspections at direct suppliers to Mercedes-Benz Cars & Vans, Daimler Trucks & Buses, and our International Procurement Services unit uncovered no specific suspected cases of child labor or forced labor, nor were there any indications of violations against the right to collective bargaining or freedom of association.

Working together for a fair partnership: Whistleblower System BPO

Climate protection and resource conservation in the supply chain

GRI 308-2

The consequences of climate change can only be limited if a variety of players pull together all over the world. This is why we also include our supply chain in our climate and environmental protection measures and work in partnership with our suppliers in order to cut emissions and conserve resources.

Protecting the climate and the environment: We are actively involved in raw material initiatives

Raw material initiatives serve as important platforms for making the procurement of raw materials more environmentally and climate-friendly. They provide cross-sector mechanisms such as auditing standards and certification systems that help, among other things, to make it possible to trace the origins of materials. Daimler focuses here on aluminum and steel:

- **Aluminium Stewardship Initiative:** Daimler joined the Aluminium Stewardship Initiative (ASI) in 2018. In doing so, we are promoting the implementation and spread of an independent certification system for the entire aluminum value chain. The Responsible Aluminium Performance Standard combines ethical, environmental, and social aspects. In the area of resource conservation, it particularly focuses on greenhouse gas emissions, airborne emissions, wastewater, waste, and water. In some bidding procedures, such as those for sheet metal for our European press shops, we already require the suppliers to be certified according to this standard.

- **Responsible Steel Initiative:** Daimler has been a member of the Responsible Steel Initiative since 2018, because steel accounts for the largest proportion of material used in automobile manufacturing. It is also the world's largest raw materials industry. The production of steel is responsible for a large proportion of the CO_2 emissions generated during the production phase. The Responsible Steel Initiative is developing a certification system that, on the one hand, specifies requirements regarding the transparency of the materials used (e.g. iron ore and coking coal) and, on the other, contains stipulations concerning the responsible use of resources. The requirements in the certification system have been defined cooperatively by a number of stakeholders including Daimler.

We are making the environmental impact of our supply chains transparent

In order to make the environmental impact of our supply chains more transparent, Daimler is also working with organizations such as ↗ CDP. In 2020, for example, Mercedes-Benz Cars & Vans took part in the CDP Supply Chain Program for the second time. Daimler Trucks & Buses took part for the first time and included its key truck and bus suppliers in the process. As part of this program, we ask our suppliers to report to us about their environmental impact. CDP provides the corresponding tools for recording, assessing, and publishing environmental data. In 2020 we therefore contacted our main suppliers, who account for around 80 percent of the annual procurement volume of Mercedes-Benz Cars & Vans. More than 90 percent of them took part in the survey. The procurement unit of Daimler Trucks & Buses invited suppliers who account for over 70 percent of the division's annual procurement volume.

We are promoting climate protection in the supply chain

Through its "Ambition 2039," Mercedes-Benz AG aims to achieve CO_2 neutrality in less than 20 years. In doing so, the company takes into account the entire value chain, including the partners and suppliers. This is because the supplier network of Mercedes-Benz AG plays a crucial role in the attainment of the climate-protection goals: The CO_2 emissions in the supply chain of all-electric vehicles are more than twice as high as in that of conventional vehicles with combustion engines, because the production of lithium-ion batteries is very energy-intensive. The Mercedes-Benz EQC (combined electrical consumption: 21.5–20.1 kWh; combined CO_2 emissions: 0 g/km)[1,2], for example, emits about 16 tons of CO_2 in the supply chain. The battery alone accounts for around eight of these tons. Our approach to achieving climate neutrality therefore already begins in the supply chain and we systematically incorporate the supplier network of Mercedes-Benz AG into our efforts.

Mercedes-Benz Cars & Vans pursues a risk-based approach to attaining climate neutrality. In a first step, we investigated which players and which stages of the supply chain produce large amounts of CO_2 emissions and pollutants.

In a second step, Mercedes-Benz Cars & Vans defined intermediate goals in the reporting year for the emission of CO_2 in its supply chains. The targets were defined as a result of talks with suppliers and with the support of external experts. The focus was especially on materials and components that emit large amounts of CO_2 during production, e.g. steel, aluminum, certain types of plastic, and batteries. The specified targets were incorporated as an important criterion into relevant contract awarding processes and the selection of suppliers. We are working together with suppliers to develop measures for reducing CO_2 emissions for the procured production and non-production materials and the supply of goods to the plants (inbound logistics). The aim is to procure only CO_2-neutral production materials for Mercedes-Benz AG by 2039 at the latest. In this connection, Mercedes-Benz AG has agreed with two strategic partners to achieve clear targets for battery cells: The companies CATL (Contemporary Amperex Technology Co., Limited) and Farasis Energy have assured us that they will supply battery cells that have been manufactured using electricity from renewable energy sources such as wind, solar, and hydroelectric power. This will reduce the CO_2 footprint of the battery as a whole by more than 30 percent. The rest of the supply chain is to be incorporated into this process in the next step. The results of these initiatives also benefit the other business units of Daimler AG.

During the reporting year, Mercedes-Benz AG also sent a letter of intent for the provision of CO_2 neutral products to its suppliers. By signing this document, they commit themselves to our climate-protection goals and to supplying Mercedes-Benz AG only with products that are CO_2-neutral over their life cycles by 2039 at the latest. On the basis of the annual procurement volume, around 60 percent of the suppliers signed this memorandum of understanding during the reporting year, during the first quarter of 2021, the number has increased to more than 75 percent.

1 The electricity consumption was determined on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption is dependent on the vehicle configuration.

2 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

We are committed to resource conservation along the supply chain

GRI 308-2

Our supply chain also plays an important role in our efforts to conserve resources. Daimler AG wants to decouple resource consumption from economic growth. To achieve this goal, it is relying on the support of its suppliers. With their help, we want to continuously increase the proportion of secondary and renewable materials in our vehicles.

In view of this goal, Mercedes-Benz Cars & Vans has made a risk analysis and identified the materials steel, aluminum, and plastics as especially important. We not only need large volumes of these materials for the production of our vehicles; their extraction and processing also consume large amounts of energy and resources.

As a result, Mercedes-Benz AG defined secondary material targets for these resources for Mercedes-Benz Cars & Vans during the reporting year and incorporated these targets in its awarding criterions requirements. This step was taken on the basis of supplier talks and questionnaires. In addition, Mercedes-Benz AG is working on establishing a circular economy for its drive batteries in order to reduce the negative impact on the environment.

Mercedes-Benz recycles drive batteries

We honor our suppliers' climate-protection efforts

In the reporting year, Daimler underscored the great importance that climate protection has in its supply chains. It did this with its Daimler Supplier Sustainability Award 2020, which in 2020 honored suppliers for the first time for outstanding sustainability achievements in the categories of climate protection and resource conservation. The award-winners had implemented convincing CO_2-reduction measures in their factories or developed innovative energy supply concepts for our own plants and thus made a valuable contribution to climate protection and to the achievement of our Ambition 2039 targets.

How we assess the effectiveness of our management approach

GRI 103-3

We monitor the progress that we make with our Ambition 2039 targets for cars. One of the reference points that Mercedes-Benz Cars Procurement and Supplier Quality uses for this is the number of suppliers who have signed and returned the letter of intent regarding Ambition 2039. In addition, we will create a tracking system that will enable us to see how CO_2 emissions decline over time.

Mercedes-Benz Cars & Vans and Daimler Trucks & Buses also use the CDP Supply Chain Module in order to monitor progress. Thanks to the in-depth dialog and information-sharing with the suppliers, the number of suppliers participating in the program increased further in 2020. In the case of Mercedes-Benz AG, for example, the proportion of suppliers who replied rose from around 80 percent in 2019 to over 90 percent, even though more and more small and medium-size enterprises were addressed in the reporting year.

As part of our Group-wide compliance program, we annually check the effectiveness of our measures for ensuring the integrity and compliance of our suppliers. Each year, the central procurement units confirm the success of the Supplier Integrity Management in the course of the Annual Effectiveness Evaluation. The resulting reports are forwarded to the Integrity, Legal, and Compliance units.

We are continuing to expand the due diligence measures of Daimler AG for human rights as well.

Human rights: The effectiveness of our management approach

Corporate Citizenship

Corporate Citizenship

We are committed to a sustainable and future-oriented society

GRI 103-1

Mobility has always moved people. It stands for freedom, independence, and economic growth. However, mobility is not just transportation, as it also connects people and cultures all over the world, and thus contributes to the creation of a more open society.

As a company we are part of society as a whole. We can only be successful if we operate in an environment where people can lead a good life as they see it. In particular a high level of education and a high degree of economic and social stability are crucial for this. That is is why we are cooperating with our employees to create a sustainable society that will remain viable in the future.

Through our social commitment, we want to make tangible contributions to the common good at all our locations around the world. All of these activities are part of our WE CARE WE DO WE MOVE corporate citizenship program, which helps to support our company's sustainable business strategy.

How we are assuming social responsibility

GRI 103-2

A large part of our worldwide social commitment consists of donations to non-profit institutions, the sponsoring of socially beneficial projects, and the personal involvement of our employees. The donations and sponsorship committee of the Board of Management manages these activities. The Daimler and Benz Foundation, the Laureus Sport for Good Foundation, and the Daimler Foundation are responsible for additional socially beneficial projects, which they manage autonomously.

Throughout the Group, Daimler makes donations and sponsors projects in line with the criteria and standards of our donation and sponsorship policy. This policy was last updated in July 2019. It stipulates that all of the Daimler Group's donations, sponsorships, and marketing partnerships have to comply with the applicable national and international laws, meet ethical standards, and correspond to the Daimler Group's values. Irrespective of whether cash or non-cash donations are involved, the contract award process has to be transparent in all cases. Other corporate policies, such as our Integrity Code, have to be complied with as well. In addition, we take the UN Global Compact Principles as a guide for the implementation of our donations and sponsorships.

We create transparency by recording all of the Group's donations and sponsorships worldwide in a centralized database. Moreover, we regularly inform our employees about the applicable policies and alert them to possible risks connected with donations and sponsorships.

We are building on these three pillars of our social commitment

GRI 203-1

WE CARE WE DO WE MOVE – this encompasses our corporate citizenship activities worldwide. WE CARE, because we take on responsibility by means of our sustainable business strategy. WE DO, because we actively promote the common good. WE MOVE, because we can move the world forward. At our locations throughout the world, we address current tasks that are derived from the needs of the respective society.

In accordance with our sustainable business strategy, our social commitment primarily promotes projects and activities related to our core business, because this is where we can make the biggest contribution. We also encourage our employees to get involved in socially beneficial projects, help improve the social environment in the communities where we operate, and initiate aid projects worldwide.

Our commitment rests on three pillars: "With our employees," "For our communities," and "Around the world."

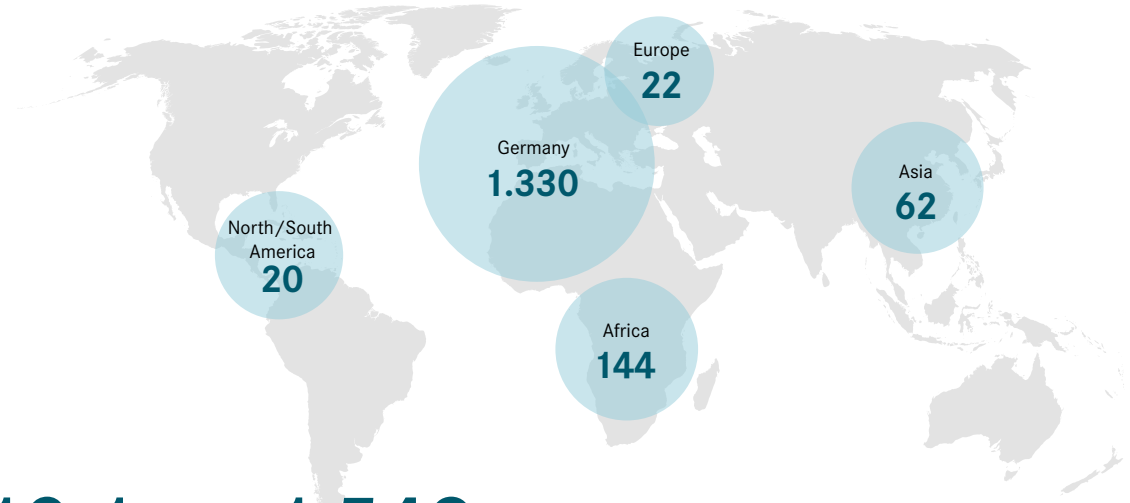
Pillar 1: With our employees
The ProCent initiative is an example of our employees' commitment to society. In this initiative, our employees can donate the cent amounts of their monthly paychecks. Daimler then matches these amounts and puts them into a fund for the support of socially beneficial projects. We have supported around 1,500 projects since the initiative was launched in 2011. More than €10 million have been authorized in the initiative to date. At a central platform, employees can suggest projects that should receive money from this fund.

In 2020 these projects included "Was-essen-bei-Krebs," which is a joint project of the non-profit organization Eat What You Need (an alliance that promotes appropriate nutrition for cancer patients) and the Comprehensive Cancer Center of the Ludwig-Maximilians-Universität Hospital in Munich. "Was-essen-bei-Krebs" is a nutrition platform that provides scientifically sound answers to cancer patients' nutritional questions and helps them cope with everyday problems.

We encourage our employees to actively participate in socially beneficial projects through our "Social Days," the "Day of Caring," and other hands-on campaigns such as "Give a Smile." During the reporting year we were able to conduct these activities to only a limited extent, due to the covid-19 pandemic.

For over ten years, Daimler has staged the "Give a Smile" campaign, in which employees fulfill the Christmas wishes of children and teenagers from socially disadvantaged families.

55 | ProCent promotion highlights till 2020



10.1
million euros have been authorized in aid projects since December 2011

1,548
projects have been approved for funding by ProCent

100,000
Two-thirds of Daimler employees in Germany donate the cent amounts of their net pay

59%	**Support for children and teenagers**
28%	**Charitable projects**
7%	**Disabled assistance**
6%	**Animal welfare and nature conservation**

Donations to each individual project are between €250 and €57,000

We were able to hold this campaign once again in 2020 under the changed conditions by adhering to strict safety and hygiene standards. At 17 locations in Germany, our employees filled around 6,400 packages for children and teenagers from socially disadvantaged families in the respective regions. The campaign was conducted digitally at the locations in the greater Stuttgart area. For the first time, employee donations to nine different aid organizations in the region helped to make the Christmas wishes of the children and teenagers at the respective organizations come true. The employees donated a total of over €90,000.

Pillar 2: For our communities

GRI 413-1

We conduct a wide variety of projects that support social development at our locations throughout the world. In view of the severe effects of the covid-19 pandemic, our local activities focused on appropriate ↗ assistance measures during the reporting year.

For this purpose, we set up a dedicated task force that was in constant contact with the Group's crisis management team. The task force enabled us to provide quick and non-bureaucratic assistance in the form of mobility, protective equipment, and medical aid in Germany and abroad. In addition, we used our social media channels in order to raise people's awareness of this topic.

Providing support through mobility during the crisis. We provide non-profit organizations, medical facilities, and health authorities with vehicles that can be used to transport patients, for example, as well as to supply quarantined individuals or to transport tools and protective equipment. As an example, the Group subsidiary EvoBus has given DRK-Rettungsdienst Heidenheim-Ulm gGmbH a converted bus for the transport of intensive-care patients.

Providing protective equipment. Throughout the world, medical and social facilities need protective equipment such as respirator masks, protective clothing, and face masks. We have donated protective equipment above all to government institutions such as health authorities, which then distributed the items to hospitals, doctor's offices, and other facilities. This equipment includes disposable respirator masks, protective clothing, and face masks, some of which were produced by Daimler AG itself (by means of injection molding and 3D printing).

Some of these products meet the requirements of medical certification systems.

Providing medical assistance. In order to provide direct medical assistance, paramedics from Daimler's plant medical service voluntarily worked for Stuttgart's rescue service.

In another measure, our Mercedes AMG Petronas Formula 1 team worked together with University College London to develop and produce breathing aids. Information about the design of the breathing aids as well as about the specific materials, tools, and equipment that were used to make the prototypes is made available to other companies and research institutes free of charge on the Internet.

We were also active in India: Mercedes-Benz India donated money and goods to the government to offer rooms for up to 1,500 patients at short notice and equip hospital wards. Thanks in part to this help, it was possible to complete the temporary hospital in Chakan (Khed) in the district of Pune in next to no time.

Using communication channels, sharing information: In line with the motto of "spread the word, not the virus," we used the reach of our social media channels to provide scientifically sound information from health authorities about the covid-19 pandemic in a targeted manner.

Getting children and teenagers enthusiastic about STEM subjects. For Daimler as an automotive pioneer, it's important that children and young people get enthusiastic about technology, engineering, and natural sciences at an early age.

More curiosity – more future: This has been the motto of the "Genius – Daimler's young knowledge community" STEM education initiative for more than ten years. The abbreviation STEM stands for science, technology, engineering, and mathematics. Genius conducts workshops to get children and teenagers enthusiastic about technology at an early age. It also provides teachers with instruction materials and organizes digital further education measures for teachers. These courses address topics related to the future of mobility.

In 2020, for example, Genius responded to the covid-19 pandemic by providing teachers, children, and parents with digital instruction materials and interesting reports on its YouTube channel. In addition, it supplied selected experiments from the Genius Box, which is an ideas toolkit for elementary schools. These measures enabled children and teenagers to increase their knowledge and become enthusiastic about STEM subjects.

Pillar 3: Around the world

Our social commitment does not end at national borders, because Daimler AG initiates aid projects worldwide and helps people lead their lives autonomously, independently, and without financial hardship. In this way, we want to do our part in improving the prospects of future generations.

We take on responsibility worldwide for the prevention of child labor. In addition to supporting the existing ↗ Bon Pasteur project for combating child labor in Congo's cobalt mines, we teamed up with the NGO Terre des Hommes Netherlands in 2020 in order to prevent child labor in the vicinity of the mica mines in Jharkhand, India.

Mica is the main raw material for the pigments in our vehicle paints, where it creates a shimmering effect, for example. We mainly procure mica from the state of Jharkhand in India. This is one of the poorest regions in the country. The literacy rate and the number of children who go to school are much lower than the national average. Child labor is still very common in this region.

To rectify this situation, Daimler and Terre des Hommes Netherlands are also working together with three regional aid organizations: Bhartiya Kishan Sangh, the Jaago Foundation, and Rashtriya Jharkhand Seva Sansthan. We are employing a variety of measures in this effort. Among other things, we are conducting information campaigns to make people aware of children's rights. We are showing families alternative sources of income and training them in agriculture, for example. In addition, we are enabling children to attend school and improving their learning conditions, for instance by giving them access to libraries. We are also strengthening local institutions and working together with media in order to make child labor a political issue. This project will initially run until 2022.

Mica: Improving working conditions in the mines

Replanting mangroves for the benefit of people and the environment. Mangrove forests are among the most resilient ecosystems in the world. They play an important role in protecting coastal areas against flooding. These forests also serve as carbon sinks and thus fulfill an important function in stabilizing the global climate. In addition, they contribute to biodiversity and to ensuring the food supply and income of people in the southern regions of the world.

However, many mangrove forests have suffered from overuse in recent years and been destroyed. As a result, we are supporting a ↗ project of the Global Nature Fund for the protection and restoration of mangrove forests in southern Asia (India, Bangladesh, Sri Lanka, and Maldives).

This project aims to restore the forests and thus contribute to climate protection and create alternative sources of income for the local population, e.g. ecotourism and the trade with shrimp. To make this possible, mangroves are grown in tree nurseries, incorporated into sustainable aquaculture systems, and reforested. The project also includes training courses in environmental protection, agriculture, fishery, and vegetable cultivation.

Making children more aware of traffic safety. We promote greater safety for children in road traffic through our international "MobileKids" initiative. This project is therefore not only targeted at children, but also at adults and schools. We provide a comprehensive range of information and instruction materials to enable children to move around safely in road traffic.

Preparing children for road traffic

Foundations offer support worldwide

Our foundations support projects around the world related to science, research, technology, education, instruction, and sports.

Laureus Sport for Good Foundation: Motivating children and teenagers with the help of sports
For more than 20 years, via the Laureus Sport for Good Foundation we have been helping children and teenagers to overcome violence, discrimination, and disadvantages and encouraging them to take control of their lives and to set and attain goals. In doing so, we are relying on the power of sports to bring people together and motivate them. This is because sports mobilize the masses and greatly strengthen the sense of camaraderie. Differences in religion, skin color, gender, and place of origin lose all significance.

Laureus has been able to help more than six million children and teenagers since its establishment in 2000. There are now over 234 Laureus projects under way in more than 40 countries.

One of the projects sponsored by Laureus is Yuwa in India, which aims to provide girls and young women with education, self-confidence, and leadership skills and thereby protect them against violence. The participants in Yuwa play soccer every day and regularly take part in team competitions. Many of the older girls also serve as coaches at Yuwa. This enables them to earn money and thus promotes their independence. Yuwa also offers a complete school education in English for girls. In this way, the project helps young women to escape the ubiquitous poverty and violence in the region and shape their own futures.

Daimler and Benz Foundation: Promoting young scientists
The Daimler and Benz Foundation supports multidisciplinary scientific dialog and interdisciplinary research projects. The foundation's scholarship program supports outstanding young scientists from all disciplines. During the reporting period, it supported 24 postdocs and assistant professors with management experience; it also awarded twelve new scholarships. Using a variety of support measures, the foundation investigates research topics that are relevant for the future.

It also stages several lecture series in order to make science more visible and accepted in the public eye.

Daimler Foundation: Promoting scientific research
We want to promote scientific research independently of economic interests. To this end, we established the Daimler Foundation as an unincorporated foundation within the Donors' Association, which is a joint initiative of companies and foundations that provides comprehensive advice, networking, and support in the areas of education, science, and innovation. The Daimler Foundation focuses on three areas: structural problems in research and teaching; engineering sciences; and international and scientific cooperation. Since it was founded in 1993, it has helped establish 27 endowed professorships and assistant professorships in Germany and abroad.

56 | Funded scientific fields — number of endowed professorships and assistant professorships since 1993

- **15** Engineering sciences
- **7** Economics and political sciences
- **2** Humanities
- **1** Biological sciences (medicine)
- **1** Natural sciences
- **1** Interdisciplinary sciences

How we assess the effectiveness of our management approach

GRI 103-3

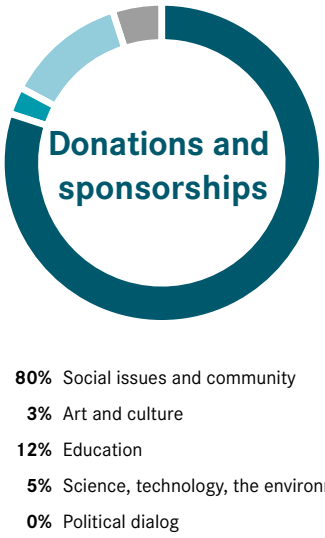
In the year under review, we spent around €54 million on donations to non-profit institutions and the sponsorship of socially beneficial projects. This amount does not include our own foundation activities and projects that we ourselves initiated. The money for the donations and sponsorships is distributed as follows among the various areas:

- Social issues and community: 80 percent
- Art and culture: 3 percent
- Education: 12 percent
- Science/technology/environment: 5 percent
- Political dialog: 0 percent

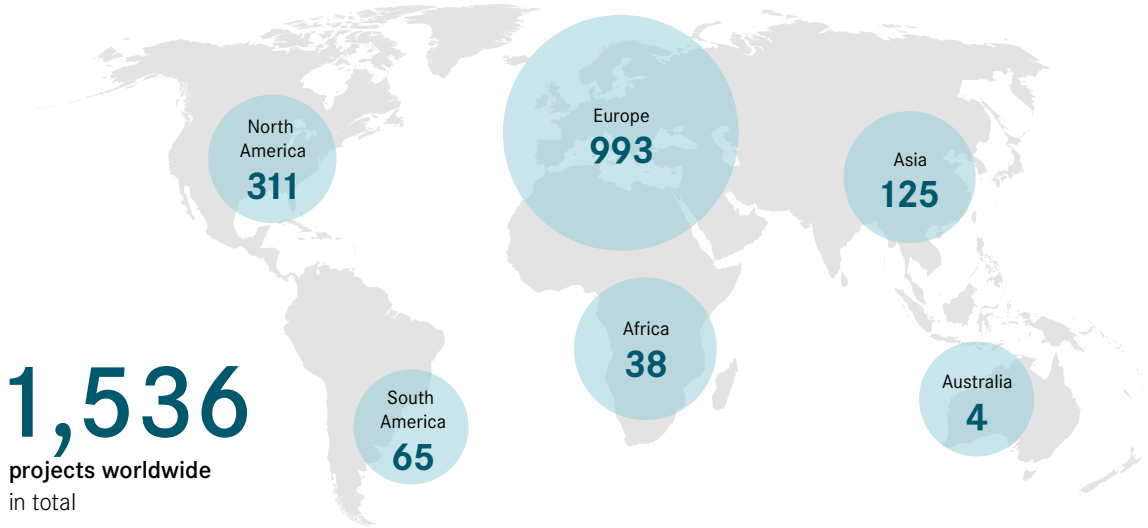
We supported around 1,500 projects worldwide.

We evaluate the effectiveness of our social commitment in a variety of ways. Among other things, we monitor the projects and regularly hold dialogs with the partners and the people concerned. Reports about the current state of a project as well as annual reports and agreed-upon key figures enable us to determine how a project is progressing. In selected cases, we go onsite to check and assess the project results and the effectiveness of the support measures.

57 | Donations and sponsorship in 2020



58 | Commitment with impact – our projects around the world



1,536
projects worldwide
in total

APPENDIX

About this report

GRI 102-45/-50

In this Sustainability Report we assess the main effects of our business operations in 2020 and present our current target program. This report is available online and as a PDF file. Special features of the online report include a search function, an in-depth GRI Index, which is linked to the respective sections of the report, a glossary of specialist terms, and a key figure tool. This tool enables readers to compile tables according to their information needs. The PDF version of the report combines all of the content into one document. Searched topics and information can be accessed directly chapter by chapter. The PDF file also contains numerous links to additional online information.

The information provided in our Sustainability Report applies to the entire Daimler Group and its business divisions. We use a control approach, which means that the calculations take all of the Group's production-related majority holdings fully into account. Daimler AG is the parent company of the Daimler Group and has its headquarters in Stuttgart. With the new corporate structure, effective since January 1, 2020, the Group's business operations under the umbrella of Daimler AG are managed in three divisions. Mercedes-Benz AG is responsible for the business of Mercedes-Benz Cars & Vans, and Daimler Truck AG combines the activities of Daimler Trucks & Buses. Daimler Mobility AG encompasses financing, leasing, and insurance services that are closely linked to mobility services such as fleet management, rental services, and participating interests in on-demand mobility services. Daimler AG carries out the functions of controlling and governance and provides services for the Group companies. As the parent company, it also defines the Group's strategy, makes strategic decisions for business operations, and ensures the effectiveness of organizational, legal, and compliance-related functions throughout the Group.

The reporting period corresponds to our financial year, which runs from January 1 to December 31.

GRI standards – "Comprehensive" option

GRI 102-54

In 2006, Daimler joined the multi-stakeholder network of the Global Reporting Initiative (GRI), where it initially was an organizational stakeholder. It later became a Gold Community Member and is now a member of the GRI Community. This report has been prepared in accordance with the GRI Standards: Comprehensive option.

GRI Index

What has changed in this report?

GRI 102-47/-48/-49

This report is based on the Daimler Group's sustainable business strategies. It is divided into two conceptual levels: "Spurwechsel" and "Reporting." In the "Spurwechsel" section, we put the external sustainability developments and trends into a context with the internal strategies and measures. In this year's report, the former "Strategy" level, which in the Sustainability Report 2019 explained the strategic approach and the most important progress made in the individual areas of action, has been incorporated into the "Reporting" section.

The "Reporting" section provides a detailed description of the goals, due diligence approach, measures, and achievements of 2020. It contains detailed reports according to the relevant standards. It focuses on six areas of action as well as on three enabler topics, which are cross-sector themes that can influence areas of action. They are: Climate protection & air quality, Resource conservation, Livable cities, Traffic safety, Data responsibility, and Human rights. The enabler topics are Integrity, People, and Partnerships. The overarching management of our sustainability activities is described in the Sustainable corporate governance section. On the basis of this year's materiality analysis, we have combined the supply chain-related sustainability activities of this reporting year into a separate chapter. In the Sustainability Report 2019, we still did this in individual strategic areas of action (Climate protection, Resource conservation, and Human rights, as well as Sustainable corporate governance). In addition to our strategic areas of action and enabler topics, we describe the measures we conduct in the area of Corporate citizenship in a separate chapter.

Materiality analysis: How we assessed our strategic topics

Reporting principles

GRI 102-46

We accept our responsibility for the content of the Sustainability Report 2020. To the best of our knowledge, we have compiled the information in the Sustainability Report 2020 free of material errors or omissions, while taking into account the type of business, the respective information processes, the type of information, and the measurement, calculation, and estimation measures used. In order to ensure the completeness of the information, we made corresponding omission statements in accordance with the GRI requirements wherever the available data may have been insufficient.

We conducted a comprehensive materiality analysis in 2020 in order to determine which sustainability issues are particularly relevant for Daimler and its stakeholders. The analysis addressed both existing strategic areas of action and

fundamentals, as well as further potential significant sustainability issues and trends. The analysis consisted of four components: a document analysis, a large-scale online stakeholder survey, interviews with experts, and an SDG impact assessment.

Materiality analysis: How we assessed our strategic topics

We consider the information that is presented on this basis to be balanced, appropriate, and complete with regard to the material topics. Facts that are considered relevant in accordance with the legal definition of materiality are part of the non-financial report 2020.

Reviewed according to ISAE 3000

GRI 102-56

We engaged KPMG AG Wirtschaftsprüfungsgesellschaft to examine the Group's sustainability reporting with limited assurance. The examination was based on the International Standard on Assurance Engagements 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), published by the International Auditing and Assurance Standards Board (IAASB). The main focus of the review was on the Group level and was supplemented by spot checks in individual plants. The following information was reviewed:

- Key figures on energy consumption, CO_2 emissions from energy consumption, water supply, and waste by type of waste for the reporting year 2020
  Key figures environment
- Key figures on CO_2 emissions (Scope 1, Scope 2, and Scope 3)
  How we calculate our CO_2 emissions
  Climate protection & air quality
- Key figures within the Corporate Citizenship chapter
  Corporate Citizenship

Pursuant to Sections 315b and 315c of the German Commercial Code (HGB), we report on non-financial matters in our Combined Management Report, which was reviewed with reasonable assurance as part of the consolidated financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

In this Sustainability report included are the following information, which received a reasonable assurance engagement:

- CO_2 emissions new passenger cars fleet Europe 2020
- USA: GHG CO_2 fleet emissions for passenger cars and light commerical vehicles, model year 2020
- China: Fleet consumption passenger cars (import) 2020 in l/100km

Climate protection & air quality
Non-financial Declaration, AR 2020

After the review we received an independent assurance report that presented the aim, purpose, and foundations of the review, the work performed, and its conclusions. The internal reporting on this is conducted by the Group Sustainability Board.

Independent assurance report

Non-Financial Declaration (NFD)

Pursuant to Sections 315b and 315c of the German Commercial Code (HGB), we report on non-financial matters in our Combined Management Report, which was reviewed with reasonable assurance as part of the consolidated financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

Non-financial Declaration, AR 2020

UN Global Compact Communication on Progress

Daimler has committed itself to upholding the ten principles of the UN Global Compact. We were one of the first signatories to the UN Global Compact, and we participate in the LEAD group that was established in 2011. We are involved in thematic and regional working groups and initiatives of the UN Global Compact. In the reporting year, these included the action platforms "Reporting on the SDGs" and "Decent Work in Global Supply Chains" as well as the UN Global Compact Expert Network and the German Global Compact Network. With this Sustainability Report we are meeting our obligation to report regularly on our initiatives regarding human rights, labor standards and employee rights, environmental protection, and the fight against corruption. In July 2020, we submitted the Sustainability Report 2019 together with the document titled "Realizing the Blueprint: Corporate Action Plan" as our official UN Global Compact Communication on Progress. We aim to present the next Communication on Progress in July 2021.

UN Global Compact Communication on Progress

Reporting process and quality assurance

We conduct detailed benchmark analyses and we also have an internal process for reviewing our targets, measures, and areas of action.

Report boundaries and data collection

Economic data
The information about economic coherencies that is presented in the Sustainability Report for 2020 is based on data from the Daimler Annual Report 2020. The Daimler Annual Report 2020 with Combined Management Report and Notes to the Consolidated Financial Statements was audited

by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified opinion.

Further information can be found in the Annual Report 2020

Employee data
The facts and figures in the Employees section correspond to the facts and figures in the Daimler Annual Report 2020. The reporting on human resources data is based mainly on the "HR ePARS" electronic human resources planning and reporting tool, which combines the data of all consolidated companies within the Daimler Group. This information is supplemented by data collected using the electronic human resources management systems "ePeople" and "HR EARTH." The texts and diagrams in this section indicate whether the data refers to the entire Group or only to parts thereof.

Data collection on corporate environmental protection
The data in this report reflects the structure of the Group in the reporting year 2020. This structure includes all the production plants of which the Daimler Group is a majority shareholder, as well as the German and European locations of the logistics, service, and sales units. It does not include the locations of Daimler Financial Services. For this reason, the timelines may differ from those of previously published data. New locations are taken into account from the date of commencement of series production. The environmental data for 2020 refers to a total of 72 production sites and satellite sites as well as four locations in the areas of research and development, logistics, and sales.

Specific environmental and energy data
Resource consumption and emissions are largely dependent on the number of units produced. This is why we calculate specific values for the individual divisions. For this purpose, the number of vehicles of the division manufactured in the consolidated plants is related to the corresponding data of the production plants. We measure the specific values of the Cars, Trucks, Vans, and Buses units according to the divisional allocation that has been in force since 2006. This distribution was calculated back into the past as far as possible in order to obtain consistent timelines. The specific data gained in this way can only serve as general benchmarks, because it does not take into account the different ways in which the vertical integration of production has developed, the diversity of products, or the special features of the production network, which in some cases extends across divisions.

Editorial note

GRI 102-51/-52

Our last Sustainability Report was published on April 22, 2020, under the title "SpurWechsel – We Are Changing Lanes: Sustainability Report 2019". The current Sustainability Report was published on March 29, 2021, under the title "SpurWechsel – We're Changing Lanes: Sustainability Report 2020." Our next report is scheduled for March/April 2022.

Forward-looking statements

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "can," "could," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates and tariff regulations; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government, policies, particularly those relating to vehicle emissions, fuel economy, and safety; the resolution of pending government investigations or of investigations requested by governments and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe in the Annual Report in the section titled "Risk and Opportunity Report". If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

Contact for the report

GRI 102-53

Mirjam Bendak
E-mail: mirjam.bendak@daimler.com

How we calculate and document our CO_2 emissions

Daimler calculates and documents its CO_2 emissions in accordance with the 2004 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative (Scopes 1 to 3). Scope 1 and Scope 2 emissions are reported in accordance with the Control approach of the GHG Protocol.

Documented are all direct CO_2 emissions from our company's own sources (Scope 1), indirect emissions resulting from the generation of the purchased electricity and district heat (Scope 2), and emissions resulting from the use of our products, from the supply chain, and from recycling (Scope 3). Thus we also take into account the emissions produced before and after our own activities.

Scope 1: We calculate our direct emissions from the combustion of fuels, heating oil, natural gas, liquefied petroleum gas, and coal with fixed CO_2 emission factors as specified by the World Business Council for Sustainable Development (WBCSD) or the German Emissions Trading Office, DEHSt. From 2017 on, this calculation has also included the fuel consumption of Daimler's own vehicles. It takes into account those vehicles whose fuel consumption is recorded using an in-house invoicing system. Vehicles that are not currently recorded by the system are being integrated into the recording process by means of location-related queries.

Because we primarily consume fuels for non-production purposes (including company vehicles, test stands), we still do not consider the fuels for our production-related goals (energy, CO_2). For this reason, the specific energy consumption and CO_2 emissions (measured per vehicle produced) that constitute the basis for our production-related targets are published without fuel consumption.

Scope 2: We calculate the indirect emissions of district heating and electricity from external sources, differentiated by time and region. Since 2016, accounts of CO_2 emissions have been balanced using the separate accounting approaches "market-based" and "location-based." This calculation is based on the new guideline of the Greenhouse Gas Protocol Initiative for determining Scope 2 emissions, which was published in 2015. For the assessment of "market-based" emissions, we determine the CO_2 emission factors of the local electricity rates or power companies at our worldwide locations. Where such information is not available, we continue to use the current average emission factor published by the International Energy Agency (IEA) for the country in question or according to the Environmental Protection Agency (EPA) for the United States. For the sake of comparison, we also publish the CO_2 emissions of all our locations according to the "location-based" method, which takes only country-specific emission factors into account.

Scope 3: We calculate the CO_2 emissions generated by the use of our products on the basis of our sales figures and the average fleet consumption values. For this calculation, we assume that each car is driven 20,000 kilometers per year for ten years. Additional indirect CO_2 emissions from the supply chain (purchased goods and services) or from the recycling of vehicles are calculated on the basis of vehicle-specific life cycle assessments.

We do not currently calculate the figures for other greenhouse gases across the Group. As the balancing of accounts of climate-relevant coolants in the German plants shows, the emissions from such refrigerants account for only a negligible amount.

KPMG AUDITOR'S REPORT

Assurance Report of the Independent Auditor regarding Sustainability Information[1]

To the legal representatives of Daimler AG, Stuttgart

We have performed an independent assurance engagement on selected qualitative and quantitative sustainability disclosures in the Sustainability Report 2020 (further "Report") for the business year from January 1 to December 31, 2020 of Daimler AG, Stuttgart (further "Company" or "Daimler").

For the selected qualitative and quantitative sustainability disclosures CO_2 emissions (scope 1, scope 2 and scope 3), energy consumption, waste, water withdrawal and the information on corporate citizenship as well as the qualitative disclosures in the appendix „How we calculate and document our CO_2 emissions" (further "sustainability disclosures") a limited assurance engagement was performed.

For the selected quantitative sustainability indicators CO_2 emissions of total passenger car fleet in Europe 2020, GHG fleet figures for CO_2 emissions of 2020 model year (passenger car and light trucks) in the USA and fleet consumption value China (import) 2020 in l/100km (further "sustainability indicators"), a reasonable assurance engagement was performed.

Responsibility of the legal representatives

The legal representatives of Daimler are responsible for the preparation of the Report in accordance with the Reporting Criteria. Daimler's Report applies the principles and standard disclosures of the Global Reporting Initiative (GRI) Sustainability Reporting Standards, the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol Initiative by the World Resources Institute and the World Business Council for Sustainable Development, in combination with internal guidelines, as Reporting Criteria (further: "Reporting Criteria").

The responsibility includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual qualitative and quantitative sustainability disclosures, which are reasonable under the 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed within the assurance engagement on the sustainability indicators and the sustainability disclosures described above.

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 above-mentioned sustainability disclosures of the entity for the business year January 1 to December 31, 2020 have not been prepared, in all material respects, in accordance with the Reporting Criteria. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Furthermore, we have to comply with our professional duties and to plan and perform the assurance engagement in such a way that we, respecting the principle of materiality, reach our conclusion with a reasonable level of assurance on the above-mentioned sustainability indicators. The assurance of the sustainability indicators encompasses the performance of assurance procedures to obtain evidence for the information included in the Report. The choice of assurance procedures is subject to the auditor's own judgement.

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

- An evaluation of the process for determining material aspects and respective boundaries, including results of Daimler's stakeholder engagement.
- A risk analysis, including a media search, to identify relevant sustainability aspects for Daimler in the reporting period.
- Interviewing management at corporate level responsible for sustainability performance goal setting and monitoring process.
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the data on sustainability performance indicators, including the consolidation of the data.
- Interviews with relevant staff at corporate level responsible for providing the data, carrying out internal control procedures and consolidating the data.
- Analytical evaluation of data and trends of quantitative information which are reported by all sites on group level.

1 Our engagement applied to the German version of the Report 2020. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

- Evaluating internal and external documentation to determine whether selected qualitative claims and quantitative indicators on sustainability performance are supported by sufficient evidence.
- Assessment of local data collection and reporting processes and reliability of reported data via sampling survey in Vitoria (Spain), Gaggenau and Rastatt (both Germany).

In addition, we conducted the following procedures to obtain reasonable assurance:

- An evaluation of the design, existence, and testing of the operation of the systems and methods used to collect and process data reported for CO_2 emissions of total passenger car fleet in Europe 2020, GHG fleet figures for CO_2 emissions of 2020 model year (passenger car and light trucks) in the USA and fleet consumption value China (import) 2020 in l/100km, including the aggregation of the data into the information as presented on the Report.
- Auditing the 2020 data using internal and external documentation in order to determine in detail whether the data correspond to the information in the relevant underlying sources, and whether all the relevant information contained in such underlying sources has been included in Daimler's Report.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and 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).

Conclusions

Based on the procedures performed and the evidence obtained for the limited assurance, nothing has come to our attention that causes us to believe that the selected qualitative and quantitative sustainability disclosures CO_2 emissions (scope 1, scope 2 and scope 3), energy consumption, waste, water withdrawal and the information on corporate citizenship as well as the qualitative disclosures in the appendix „How we calculate and document our CO_2 emissions" of Daimler AG for the business year from January 1 to December 31, 2020, published in the Report, are not prepared, in all material respects, in accordance with the Reporting Criteria.

In our opinion the selected quantitative sustainability indicators CO_2 emissions of total passenger car fleet in Europe 2020, GHG fleet figures for CO_2 emissions of 2020 model year (passenger car and light trucks) in the USA and fleet consumption value China (import) 2020 in l/100km in the Report of Daimler AG for the business year from January 1 to December 31, 2020 are presented, in all material respects, in accordance with the Reporting Criteria.

Restriction of use/Clause on General Engagement Terms

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

Our assignment for legal representatives of Daimler AG, Stuttgart, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and 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 assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Stuttgart, March 29, 2021
KPMG AG
Wirtschaftsprüfungsgesellschaft

Mokler **ppa. Auer**
Wirtschaftsprüfer
[German Public Auditor]

GRI Index

GRI 102-55

This report has been prepared in accordance with the GRI Standards: Comprehensive option.

The relevant indicators are directly shown in the texts and combined in the GRI Index.

You can find the GRI Index at:

GRI Index

UN Global Compact

Principles	UN Global Compact Principles	Chapter
Principle 1 Support of human rights **Principle 2** Exclusion of human rights abuses **Principle 3** Freedom of association **Principle 4** Elimination of all forms of forced labor **Principle 5** Abolition of child labor	We assign a very high priority to recognizing and protecting human rights within our company and in the locations where we operate. For us as a vehicle manufacturer, the emphasis is on employee rights, fair working conditions, and the rejection of every form of discrimination and of forced labor and child labor. We have firmly assigned the responsibility for human rights issues to the Integrity and Legal Affairs division in the Group's Board of Management. In addition, we emphasize these issues in our corporate governance structure for sustainability. The support of human rights is therefore a key element of our sustainable business strategy. Our Human Rights Respect System aims to address human rights issues at Daimler's majority holdings as well as in the supply chain.	Human rights Supply chain
Principle 6 Prevention of discrimination	In order to exclude gender-specific or any other discrimination in our recruitment processes, the fixed base remuneration is based on the individual's function and level. For the same purpose, we have implemented a regular income review that includes mandatory documentation, the inclusion of multiple assessors, and a central HR system, which ensures transparency. Our in-house income reviews have shown that the amount of the individual remuneration paid for comparable tasks is determined by factors such as individual performance and experience in a particular function.	People
Principle 7 Precautionary environmental protection	Our precautionary principle is particularly important when it comes to managing the local effects of our business activities. This applies, for example, to environmental protection in the production process. We have defined structures and processes in our environmental management system with the aim of enabling transparent reporting for our production sites around the world and clear areas of responsibility at all levels. Our environmental protection requirements are passed on to our suppliers along the supply chain. Around 98 percent of our employees work at locations with environmental management systems that are audited and certified according to ISO 14001. In addition, we regularly conduct environmental due diligence analyses at our locations. Our holistic precautionary approach includes a clear definition of environmental protection targets. For example, we want production to be CO_2-neutral at our own Mercedes-Benz Cars and Vans plants worldwide and at the Daimler Trucks & Buses production plants in Europe beginning in 2022.	Climate protection & air quality Resource conservation
Principle 8 Initiatives for promoting environmental responsibility	Daimler systematically compiles key energy and environmental data from its plants in Germany and abroad. The data in this report reflects the structure of the Group in the reporting year 2020. The environmental data for 2020 refer to a total of 72 production locations, subordinate sites, and remanufacturing plants, as well as to 18 development, logistics, and Mercedes-Benz sales locations in Germany. It does not include the locations of Daimler Financial Services. We accept responsibility for making our vehicles climate-friendly and environmentally compatible throughout their life cycle: from the procurement of the raw materials and production to the use phase and the disposal and recycling of the vehicles. In addition, we aim to increase our employees' environmental consciousness through our internal governance structures, including the use of non-financial remuneration components.	Climate protection & air quality Resource conservation

Principles	UN Global Compact Principles	Chapter
Principle 9 Development and diffusion of environmentally friendly technologies	Daimler has set itself the goal of developing products that are especially environmentally friendly and energy-efficient in their respective market segments. Product development plays a key role in this regard: A vehicle's environmental impact – and that includes its emissions of CO_2 and pollutants – is largely determined during the first phases of its development. The earlier we take environmental aspects into account in this process, the more efficiently we can minimize the environmental impact of our vehicles. We systematically test the environmental friendliness of future products. An important tool in this process is the ongoing documentation of the development process. Here we define specific characteristics and target values – for example, for fuel consumption and pollutant emissions that must be achieved for every vehicle model and every engine variant. In order to further reduce the CO_2 emissions of our vehicles, we are developing all-electric and electrified model variants for all of our vehicle types – from cars and vans to trucks and buses. Thanks to our modular development approach, we can quickly transfer technologies between our divisions. Our development focus is on battery-electric mobility for cars and all-electric drive systems with batteries or fuel cells for trucks and buses. In our "Ambition 2039" we have set ourselves the target of making our fleet of new cars and vans CO_2-neutral over the vehicles' entire life cycle* by 2039. Our target for our trucks and buses is for all new vehicles to be CO_2-neutral with regard to local driving operation (tank-to-wheel) in the triad markets of Europe, Japan, and North America by 2039.	Climate protection & air quality
Principle 10 Measures against corruption	Our objective is to ensure that all of our employees worldwide always 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. One of the main objectives of our compliance activities is to ensure that all applicable corruption prevention regulations are complied with. 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.	Compliance management

* This includes vehicles that are sold by Mercedes-Benz AG or that are sold by Mercedes-Benz AG as general contractor, including upfitter solutions.

Labeling

Consumption and CO_2 emissions

Model	Designation	Combined fuel consumption l/100 km	Combined electrical consumption kWh/100 km	Combined CO_2 emissions g/km
EQA 250[2,3]	EQ		15.7	0
EQC 400 4MATIC[2,3]	EQ		21.5–20.1	0
EQV 300[2,3]	EQ		26.4–26.3	0
A 250 e compact sedan[1]	Plug-in hybrid	1.6–1.4	15.7–14.8	36–32
smart EQ fortwo coupe[2,3]	EQ		16.0–14.0	0
smart EQ fortwo cabrio[2,3]	EQ		16.3–14.2	0
smart EQ forfour[2,3]	EQ		16.8–14.6	0

Information on labeling

The values quoted for fuel consumption and CO_2 emissions were calculated on the basis of the stipulated measuring procedures (Section 2 Nos. 5, 6, 6a Energy Labeling Ordinance for Cars [Pkw-EnVKV] in its current version). The figures do not refer to a specific individual vehicle and are not part of any product offering, but instead are presented solely for purposes of comparison between various vehicle types. The figures vary, depending on the wheels/tires used.

Further information on official fuel consumption figures and the official specific CO_2 emissions can be found in the guide "Information on the fuel consumption, CO_2 emissions and electricity consumption of new cars," which is available free of charge at all sales dealerships and from Deutsche Automobil Treuhand GmbH at ↗ www.dat.de.

1 The stated figures are the measured "NEDC CO_2 figures" within the meaning of Art. 2 No. 1 Commission Implementing Regulation (EU) 2017/1153. The fuel consumption figures were calculated on the basis of these figures. The electricity consumption was determined on the basis of Commission Regulation (EC) No. 692/2008. A higher figure may apply as the basis for calculating the motor vehicle tax.

2 Electricity consumption and range were calculated on the basis of Commission Regulation (EC) No. 692/2008. Electricity consumption and range depend on the vehicle configuration.

3 The actual range is also dependent on individual driving style, road and traffic conditions, outside temperature, use of air conditioning/heating systems etc. and may therefore differ.

Glossary

48-volt system/on-board electrical system
An on-board electrical system refers to the totality of electrical components in a vehicle. A 48-volt network is much more effective because it uses an operating voltage of 48 volts instead of the commonly used 12 volts. This makes it better suited for electric drive systems that consume a lot of electricity.

Active and passive safety of vehicles
Active safety systems, also referred to as driver assistance systems, help to prevent accidents from occurring in the first place. Active safety promotes accident prevention. By contrast, passive safety systems provide protection during a collision in order to mitigate the consequences of an accident.

Aggregate
Aggregates are materials that are added to a mixture in order to have a positive effect on their properties. For example, crushed natural or artificial rock is used to make concrete and asphalt.

Airflow control
Airflow control systems regulate the volume of incoming and outgoing air in ventilation systems.

Artificial intelligence (AI)
Artificial intelligence (AI) refers to computer systems that have features of human intelligence. AI systems can, for example, learn independently, draw conclusions, or improve themselves.

Automated Lane Keeping System (ALKS)
An Automated Lane Keeping System (ALKS) is a technology that autonomously controls a vehicle's lateral and longitudinal motion for a long period of time. During this time, the ALKS instead of the driver has primary control over the vehicle.

Base load
With regard to power supply, the base load is the minimum amount of electric power that has to be generated in order to ensure grid stability.

Big Picture Integrity 2019
Big Picture Integrity is a Group-wide employee survey for evaluating the integrity and compliance culture at Daimler. All employees with a valid business e-mail address were in scope of the survey.

Car-to-X communication
Car-to-X communication is based on technologies that enable vehicles to share information in real time with one another and with other systems that are part of the traffic infrastructure (e.g. by means of Wi-Fi or mobile communications).

Clean Development Mechanism (CDM)
The Clean Development Mechanism (for environmentally compatible development) was introduced as part of the Kyoto Protocol in order to make it easier for industrialized countries to achieve their targets for reducing greenhouse gas emissions and at the same time promote technology transfer to developing countries. The mechanism enables emission reduction measures to be implemented in developing countries and the resulting decreases to be certified. The corresponding certificates (Certified Emission Reductions/CER) can be credited to the reduction targets of the industrialized countries.

Climate Pledge
The Climate Pledge is a voluntary commitment by companies to fulfill the goals of the Paris Agreement on climate protection ten years earlier than prescribed. The companies who have taken this pledge promise to make their business CO_2-neutral by 2040. The Climate Pledge was created in 2020 by Amazon and Global Optimism.

CO_2 fleet compliance
In addition to limits that individual vehicle models may not exceed for their type approval (e.g. regarding pollutant emissions), the EU also sets CO_2 fleet compliance requirements on the basis of the average weight of a manufacturer's fleet. The manufacturer's fleet of new vehicles may not exceed this limit.

Code of conduct
A company's code of conduct provides employees with guidance and encompasses guidelines for responsible, ethical, and legally compliant behavior. In most cases, the guidelines also apply to third parties such as business partners and suppliers.

Concept safety
Concept safety in this context means a high degree of safety that is immanent in how high-voltage components are integrated into the vehicle.

Corporate Average Fuel Economy (CAFE) standards
Corporate Average Fuel Economy (CAFE) refers to a legally stipulated restriction on the average fuel consumption of a vehicle fleet in the United States. Automakers have to achieve the CAFE standards for their fleets of cars and light trucks in order to be able to sell vehicles in the United States. The limits are recalculated each year.

Cowl chassis
A cowl chassis is a truck chassis that includes front fenders as well as a hood and an instrument panel. It is used for customers who want their own body and cab.

Data processing register
Ever since the EU introduced the General Data Protection Regulation (GDPR), every company needs a data processing register. This documents all of the relevant information about the processing of personal data (e.g. a customer's name and e-mail address).

Decarbonization
Decarbonization is the switch to a carbon-free economy.

Dry/wet separation technologies
Paint separation systems are technologies that can bind excess paint particles that are released into the air when vehicles are painted. Wet separation uses water to clean the air. Dry separation is a more environmentally friendly variant, in which a dry binding substance (e.g. stone dust) is used in order to reduce the amount of water and chemicals that are needed.

Due diligence
In general, due diligence processes involve careful examinations, analyses, and assessments of a company. Human rights due diligence encompasses measures that a company employs in order to detect and responsibly manage human rights-related risks in its business operations, its supply chain, and the services it uses.

E-fuels
E-fuels are synthetic fuels that are produced by means of electricity from water and carbon dioxide (CO_2).

ESG criteria
The abbreviation ESG stands for Environment, Social, and Governance. Within the context of sustainable finance, this abbreviation is used when investment decisions take into account environmental, social, and responsible governance aspects.

Ethics by design
The "ethics by design" principle refers to the consideration of ethical questions during the development of products – for example, those involving the use of ℹ artificial intelligence.

EU taxonomy
EU taxonomy (also referred to as Sustainable Finance Taxonomy) is a classification system that was developed by the European Commission in order to create a shared understanding of the sustainability of business operations within the EU. The aim is to assess business activities throughout the EU according to their sustainability in order to facilitate corresponding financial decisions.

Euro 6d-Temp standard
The Euro 6d-Temp standard is a temporary emissions standard that has applied to new vehicle models since September 2018 and that sets limits for pollutant emissions into the atmosphere. The ℹ RDE procedure was introduced at the same time as the new standard. The more stringent Euro 6d emissions standard will go into effect in 2021.

European Union Emission Trading Scheme (EU ETS)
The European Union Emission Trading Scheme is a climate-protection tool for the reduction of greenhouse gas emissions. A government-stipulated upper limit states how many tons of CO_2 may be emitted in total. A company needs an emission allowance for every ton of CO_2. These emission allowances can be freely traded on the market. However, the number of these allowances is limited. This results in a price for CO_2 emissions in order to give companies an incentive to reduce their emissions.

Filler
When painting cars, a filler is used to smooth irregularities in the body surface and provide a primer for additional layers of paint.

Gold Standard
The Gold Standard is the highest quality standard for carbon offsetting projects. Gold Standard projects not only avoid CO_2, they also contribute to the project location's sustainable environmental and social development. The Gold Standard was developed under the direction of the WWF and with the assistance of the German Ministry of the Environment.

Green bonds
Green bonds are securities with a fixed interest rate. They are used to raise capital for sustainable projects such as for renewable sources of energy and sustainable mobility solutions.

Green charging
Green charging refers to the charging of electric vehicles with green electricity.

Greenhouse Gas Protocol (GHG Protocol)
The Greenhouse Gas Protocol (or GHG Protocol for short) is currently the most commonly used series of accounting standards for greenhouse gas emissions.

HVO diesel
HVO (hydrogenated vegetable oil) diesel is a biofuel that is manufactured by hydrogenating (adding hydrogen atoms to) production waste, vegetable oils, or other materials.

Intrinsic safety
Intrinsic safety is a technical property of a system or device. Special designs ensure that even a breakdown does not cause a dangerous situation to occur.

Integrity and Compliance Pulse Check
The Integrity and Compliance Pulse Check is a representative Group-wide random-sample survey for the evaluation of our integrity culture. Approximately 25,000 employees with a valid e-mail address have been in scope of the random-sample survey.

LiDAR technology
LiDAR (Light Detection and Ranging) is a method for optically measuring distances. LiDAR sensors detect objects by using a laser to make hundreds of thousands of distance measurements per second in order to generate a 3D image of a vehicle's surroundings.

Linear accelerator
Linear accelerators can generate high-energy electron or X-ray beams by accelerating charged elementary particles in a strong linear magnetic field. Among other things, they are used in medicine for radiation therapy. However, they are also employed in industry in order to look inside thick-walled components.

Live traffic information
Live traffic information systems supply vehicles with traffic data in real time.

Load case
In accident research, a load case is a possible accident scenario that describes a specific effect on a vehicle.

Machine learning
Computer programs that use machine learning can independently solve problems with the help of algorithms. Machine learning is an element of artificial intelligence.

Malicious code
Malicious code or malware refers to computer programs developed to carry out damaging tasks such as stealing passwords or other sensitive data.

Management levels
The managers of the organizational hierarchy of Daimler are divided into the management levels 1 through 5. Level 5 is the lowest of these levels, while Level 1 is the highest. Above it is only the Board of Management level.

NEDC
The New European Driving Cycle (NEDC) is a legally prescribed testing process for measuring the fuel consumption and emissions of vehicles. This process was replaced by the WLTP test procedure as of September 1, 2017.

Notice of violation
A notice of violation is a written notification from a government agency about a violation of the law.

OECD
Based in Paris, the Organisation for Economic Co-operation and Development (OECD) is an international organization encompassing 37 member countries that are committed to democracy and a market economy.

On-board diagnostics
Among other things, on-board diagnostics monitor a vehicle's exhaust behavior during drives. To do so, an in-vehicle diagnostic system monitors all of the exhaust-related components and stores the information about any faults that arise.

Onboard charger
Onboard chargers are charging devices that are permanently installed in electrically powered vehicles in order to charge the battery.

Partial load
Partial load refers to a machine's mean operating condition between full load (100 percent of possible output) and no load (the machine is switched off).

Partner protection
Partner protection refers to the protection of occupants in the respective other vehicle during traffic accidents that involve two vehicles.

Peak loads
Peak loads occur in power grids, for example, when energy demand suddenly increases steeply for a short period of time. In order to meet this demand and ensure that supply is uninterrupted, more electricity has to be fed into the grid at short notice. This can be done by means of battery storage devices, for example, or by pumped-storage electrical power stations.

Plug-in hybrid (PHEV)
A plug-in hybrid electric vehicle (PHEV) has a hybrid drive system whose battery can be charged either by a combustion engine or by the power grid.

Privacy by design
Privacy by design is data protection by means of technology design. The basic principle of this approach is that personal data can be best protected if software and hardware are designed and developed to comply with data protection regulations from the very start.

Rated thermal input
The rated thermal input stands for the thermal energy that can be fed to a combustion plant in continuous operation by burning fuel. After energy losses are subtracted, the result shows the thermal output of the respective heating system.

Real Driving Emissions (RDE) testing method
The RDE testing method is a measurement procedure for testing the actual emissions behavior of vehicles in road traffic under real-life conditions.

Recuperation/degree of recuperation
Recuperation is the recovery of electrical energy, e.g. during braking, that would otherwise be lost as frictional heat. The degree of recuperation expresses the ratio of recovered energy to employed energy in percent.

Redundant safety systems
Redundant safety systems are duplicated safety-relevant functions. If the primary braking system fails, for example, the secondary system will be responsible for braking.

Renewable Energy Directive
The EU passed the Renewable Energy Directive in 2009 in order to promote the use of energy from renewable sources. This directive, which was most recently amended in 2018, aims to increase the proportion of renewable energy in the European electricity mix to at least 32 percent by 2030.

Residual energy
The cables of switched-off machines can contain residual energy. This can become dangerous if residual electrical or mechanical energy leads to sudden movements of machinery, for example.

Restraint systems
Restraint systems are in-vehicle safety systems that keep the vehicle occupants in their seats (e.g. seatbelts).

Ride hailing
Ride hailing refers to a form of mobility in which a person uses an app to request a vehicle and driver for a transport service. Unlike the case with ridesharing, the vehicle is not generally shared with other passengers.

Rights-holders
In the field of law, a rights-holder is a person or other legal entity (organization or living organism) that has specific, legally recognized rights.

Roller test rig
A roller test rig is an instrument for testing various performance aspects of a vehicle. To do this, the vehicle's wheels are attached to a roller to enable the simulation of acceleration effects. It allows drive and braking power to be measured, for example, as well as emissions.

SAE Level/automated and autonomous driving
Automated vehicles help drivers perform tasks that motorists used to do on their own. There are five different levels of automation: Driver Assistance (SAE Level 1), Partial Automation (SAE Level 2), Conditional Automation (SAE Level 3), High Automation (SAE Level 4), and Full Automation (SAE Level 5). The degree of automation increases with each level and the amount of control the driver has over a vehicle declines accordingly.

Science Based Targets Initiative
The Science Based Targets Initiative (SBTI) is a joint initiative of the CDP, the UN Global Compact, the World Resources Institute, and the World Wildlife Fund (WWF). It aims to encourage companies to set targets for reducing greenhouse gas emissions in line with the level of decarbonization that scientists are calling for in order to limit global warming to less than 1.5° C/2° C compared to preindustrial temperatures.

Sled testing
Sled tests are crash tests in which a vehicle does not collide with a wall or other object. Instead, the vehicle body and the components to be tested are mounted onto a sled that is then suddenly braked. As a result, there is no actual collision.

SORT cycles
SORT cycles are standardized tests for city buses. These tests were initiated by the UITP (International Association of Public Transport). They aim to make the vehicles' fuel consumption values comparable.

Sustainability Accounting Standards Board (SASB)
The Sustainability Accounting Standards Board (SASB) is a non-profit organization in the United States that has developed sector-specific standards for sustainability reporting.

Tank-to-wheel (TtW)
Unlike the more comprehensive ℹ well-to-wheel assessment, tank-to-wheel assessments take into account the chain of cause and effect from the time energy (e.g. gasoline or electricity) is put into a vehicle until it is converted into kinetic energy during driving.

Task Force on Climate-related Financial Disclosures (TCFD)
The Task Force on Climate-related Financial Disclosures (TCFD) is a corporate reporting initiative that was created by the Financial Stability Board. Its long-term goal is to incorporate climate-related opportunities and risks into companies' business and financial reports. To this end, it published recommendations in 2017 on how businesses should conduct uniform climate reporting.

Telematics
Telematics (a composite word that combines telecommunications with informatics) is a technology that combines mobile data communication with the computer processing of this information. Telematics solutions/services in vehicles continuously collect and evaluate positioning and vehicle data, for example.

Tier 1
Tier 1 refers to the first upstream stage of the value chain, i.e. the direct suppliers. The other stages of the value chain (all the previous suppliers) are referred to as Tier 2 to Tier n suppliers.

Turbocompressor
A turbocompressor is a machine that can compress air. Compressed air is used, for example, to drive machines in industrial production. Unlike "normal" compressors, turbocompressors are structured like a turbine and have aerodynamic properties, which make them especially energy-efficient.

UN Global Compact
The United Nations (UN) Global Compact is a pact concluded between companies and the UN in order to make globalization more socially and environmentally friendly. The companies regularly report to the UN on the progress they make.

UN Principles for Responsible Investment (UNPRI)
The six UN Principles for Responsible Investment were initiated by an international investor network. They aim to make it easier to understand the effects of investment activities on ESG issues and help the signatories to take ℹ ESG criteria into account in their investment decisions.

Underfloor SCR catalytic converter
Selective catalytic reduction (SCR) is a technology for reducing nitrogen oxides in exhaust gases. An underfloor SCR catalytic converter is used for the aftertreatment of vehicle exhaust. It employs chemical reactions to convert the pollutants in the exhaust gas into non-toxic substances.

Unsprung mass

The unsprung mass refers to the components of a vehicle that are affected by direct impacts on the roadway. These components include the tires, rims, brakes, and wheel bearings.

VECTO

The VECTO (Vehicle Energy Consumption Calculation Tool) is a new simulation tool that was developed by the European Commission for determining the CO_2 emissions and fuel consumption of heavy-duty commercial vehicles (trucks, buses, and touring coaches) with a GVW of over 3.5 metric tons.

Voluntary Safety Self-Assessment

Voluntary Safety Self-Assessments (VSSA) are based on a guide from the United States' National Highway Traffic Safety Administration (NHTSA). Companies that are engaged in the testing or deployment of automated driving functions can document and publish their procedures and evaluations of the safety of such systems on a voluntary basis.

Waste hierarchy

A waste hierarchy defines and prioritizes the various approaches for handling waste. The most important measures are those that are especially environmentally compatible. The EU's Waste Framework Directive defines the following five hierarchy levels:

1. Prevention
2. Preparing for reuse
3. Recycling
4. Other recovery, especially incineration for the generation of energy and use as a filling material
5. Disposal

Well to wheel (WtW)

A well-to-wheel assessment takes into account not only driving operation (as is the case with a tank-to-wheel assessment) but also the production of the energy carrier, such as electricity or gasoline.

WLTP

The Worldwide Harmonized Light Vehicles Test Procedure (WLTP) is an international measurement technique for determining how much fuel a vehicle consumes and whether its emissions stay within the prescribed limits. The WLTP replaced the former measurement procedure (NEDC) on September 1, 2017.

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