

DAIMLER



# SPUR WECHSEL

Sustainability Report 2019

WE ARE CHANGING LANES



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## 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<sub>2</sub> labeling: [see Appendix](#)

Reference to chapter/section of the report

Additional information outside the report

References to the glossary

# SPUR WECHSEL

WE ARE CHANGING LANES



GRI 102-14

Dear readers,

We publish this report as people all around the world fight against the COVID-19 pandemic. It is still too early to speculate about possible consequences and learnings from this crisis. Already today, however, it is clear that COVID-19 is shaking up many seemingly well-established certainties: Our health, our freedom, our wealth, large parts of our collective social lives are being challenged. At the same time, we are experiencing that crucial changes are possible if we act decisively and with joint responsibility.

This report also is about crucial changes. Its title “SpurWechsel”, German for lane change, stands for kicking our transformation towards sustainable mobility into high gear. It is based on the conviction that “business as usual” is not an option in times of climate change. At Daimler we are therefore pursuing our vision of a mobility that does not require fossil fuels, consumes fewer resources, and does not cause accidents or traffic jams. And we are convinced that tomorrow’s mobility cannot be shaped by prohibitions. What we need is fair, global

competition that produces the best solutions and technologies. In 2019, we stated how this can be achieved in our sustainable business strategy. It shows how we link our economic goals directly to our social and environmental responsibility.

One of our most important concerns is the reduction of CO<sub>2</sub> emissions. With “Ambition 2039,” we have set ourselves challenging targets. For Mercedes-Benz, for example, this means that we aim to have a CO<sub>2</sub>-neutral new passenger car fleet worldwide by 2039. With this, we are focusing on the entire lifecycle of our vehicles – from their development to the extraction of raw materials, to production and use, and to their disposal.

To achieve this, we are prioritizing the electrification of our vehicles. The EQ family is growing with the market launch of the EQV (Electric power consumption combined: 26.4-26.3 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup> and the world premiere of the EQA. By the end of 2020, our car portfolio will

<sup>1</sup> see appendix: labeling

therefore comprise a total of five all-electric models and more than 20 plug-in hybrids. We also intend to offer battery-electric commercial vehicles in all core regions by 2022. We already have the eCascadia and eActros all-electric trucks in customer service, the eVito and eSprinter vans are on the market, and our eCitaro city bus is already in mass production. We plan to produce more than 600,000 batteries for these vehicles in 2020 – in nine factories at seven locations on three continents. At our production facilities, we already achieved our long-term CO<sub>2</sub> reduction targets for 2020 in 2019. We are now going one step further: Starting in 2022, production at all of Daimler's European plants will be completely CO<sub>2</sub>-neutral.

The Science Based Targets Initiative scientifically verified our consistent path toward greater climate protection in 2019. Our CO<sub>2</sub> targets are thus in line with the Paris Climate Agreement. And we are calling on our partners and suppliers to set themselves similarly ambitious targets.

In addition to CO<sub>2</sub> reductions, sustainability has many other facets. One of them is resource conservation: We were able to reduce energy and water consumption as well as waste for disposal per vehicle produced across all segments over the last few years. In the long term, we want to evolve from the value chain to the value cycle. The protection of human rights along the entire supply chain is equally important. In order to meet our responsibilities, we conduct risk-based due diligence audits – for example at mines that extract raw materials such as cobalt.

And, of course, our sustainable business strategy includes continuing to work for greater traffic safety, the responsible handling of data, better quality of life in cities, and more cooperation and collaboration – in private-sector and social partnerships.

We are convinced that we can only change lanes with a diverse and motivated workforce. That is why we aim to continue to be an attractive employer in the future. To this end, we offer – besides fair wages – a variety of flexible working models including part-time, mobile work, or jobsharing. And we are committed to a modern leadership culture.

Along the way, the Integrity Code, our code of conduct, which was updated in 2019 and effective worldwide, provides the legally and ethically binding framework for all our activities. We also keep an eye on strategic future issues in this context. For example, we became the first automaker to publish our own principles for how we use artificial intelligence in September 2019. Additionally, the United Nations' Sustainable Development Goals and the principles of the UN Global Compact are important guidelines for our decisions.

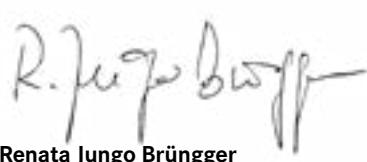
We are changing lanes – our SpurWechsel is in full swing. In this report, you can read where we currently stand and what progress we made in 2019. We hope you enjoy reading it and look forward to a critical and constructive dialog with you!

Sincerely yours,



**Ola Källenius**

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



**Renata Jungo Brüngger**

Member of the Board of Management Daimler 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

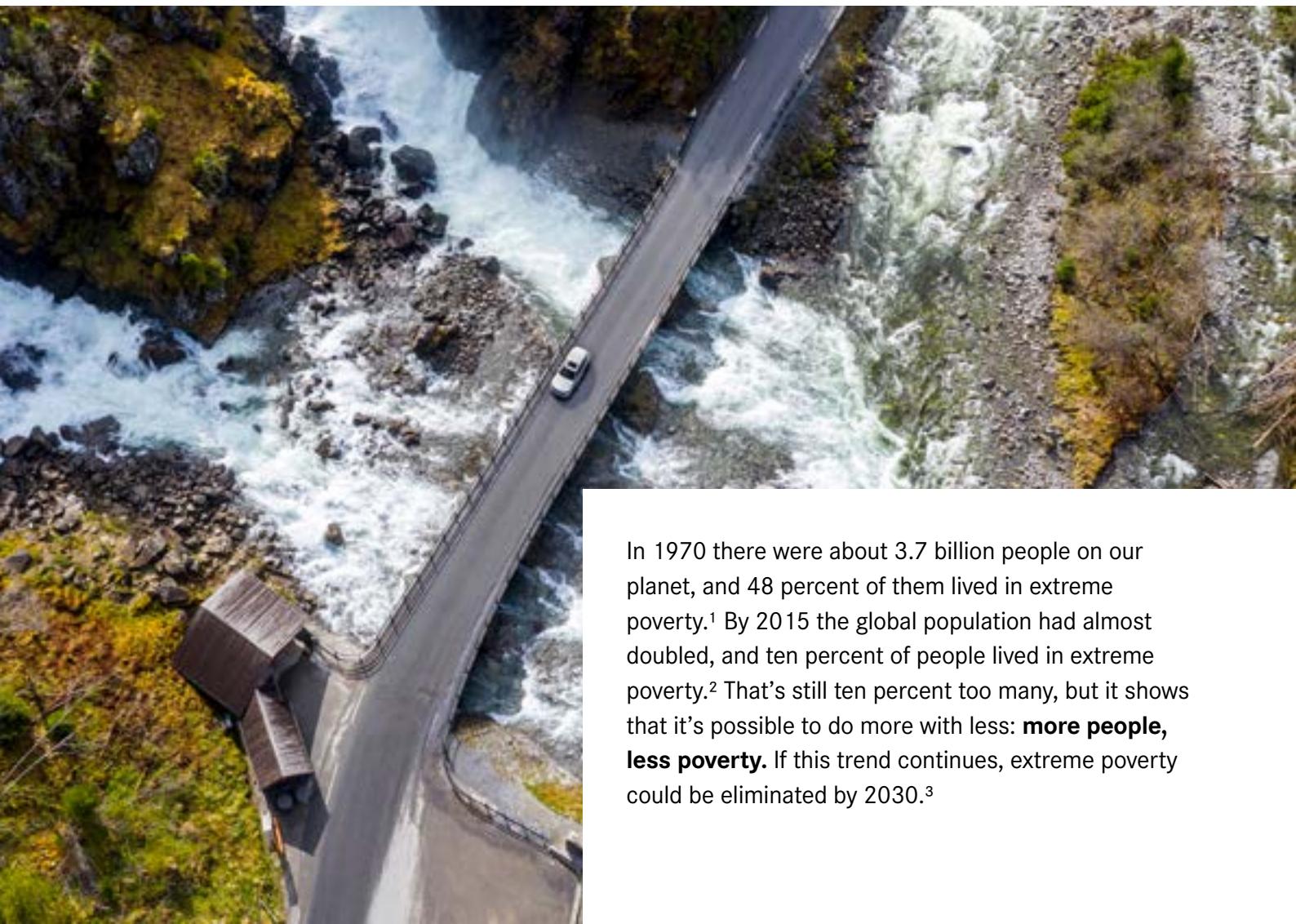
# A CHANGING WORLD

An aerial photograph of a city skyline, likely Chicago, featuring numerous skyscrapers and modern buildings. In the foreground, there is a large, green park with a winding path and a body of water with a small dock. The sky is blue with scattered clouds.



## THE NEW INDEPENDENCE

The world is changing. And it is changing fast. Climate change, demographic trends, digitalization – we are facing gigantic challenges, but also a wealth of opportunities. At Daimler we want to make a significant contribution to shaping a better future through innovations, because automobiles move the world. They transport people and goods. They make encounters and participation possible. Hardly any other product is so closely linked with social and economic progress.

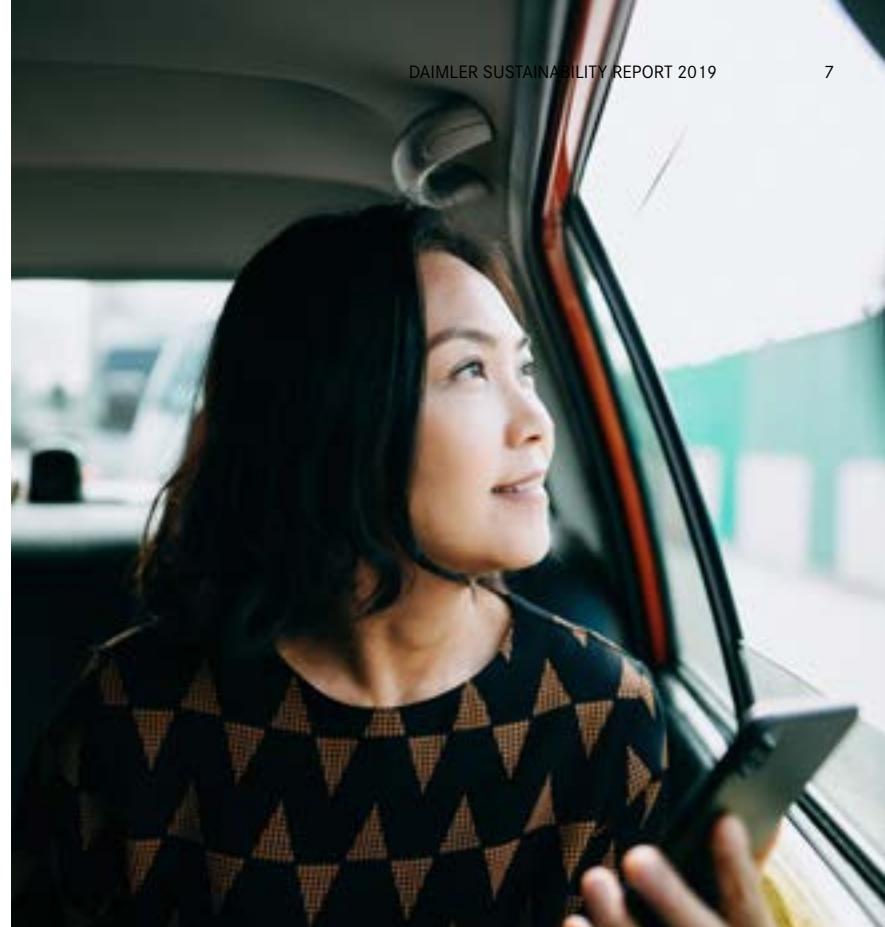


In 1970 there were about 3.7 billion people on our planet, and 48 percent of them lived in extreme poverty.<sup>1</sup> By 2015 the global population had almost doubled, and ten percent of people lived in extreme poverty.<sup>2</sup> That's still ten percent too many, but it shows that it's possible to do more with less: **more people, less poverty.** If this trend continues, extreme poverty could be eliminated by 2030.<sup>3</sup>



# 1.1 billion

Between 1990 and 2015, almost 1.1 billion people escaped from extreme poverty.<sup>4</sup>



Here is another example: Since 1990 the economic output of the European Union has increased by about 50 percent. During the same period, CO<sub>2</sub> emissions decreased in the EU by 22 percent and in Germany by 28 percent. This reduction is far from enough, especially because during this period emissions have significantly increased worldwide.<sup>5</sup> All the same, this development in the EU also shows that it's possible to do more with less.

#### **More prosperity, lower emissions.**

In his bestseller *Factfulness*, the Swedish scientist Hans Rosling describes various examples of this kind of progress: more species protection, more access to drinking water and electricity, more literacy, more formal education, more mobile phones and internet access – and at the same time, less child labor, less malnutrition, fewer deaths due to natural catastrophes, less ozone pollution, and less particulate matter. Many of these developments run counter to popular belief: The world seems to be better than its reputation.

**“**Step by step, year by year, the world is improving. Not on every single measure every single year, but as a rule. Though the world faces huge challenges, we have made tremendous progress. This is the fact-based worldview.

#### **Hans Rosling**

Healthcare researcher, physician, and best-selling author

Quotation from his 2018 book *Factfulness*

## Mobility is progress

So can everything stay the same? Absolutely not. That would overburden the earth's resources. Because of global warming, many regions would become uninhabitable, while others would suffer massive change. At the same time, the global population will go on growing – by almost 30 percent to just under ten billion by 2050.<sup>6</sup> An increasing proportion of the world's people will live in cities, transport volumes will continue to grow worldwide, and digital technologies will shape more and more areas of our lives.

### #covid19 #coronavirus

We publish this report as people all around the world are fighting against the COVID-19 pandemic. Containment of the virus is a challenge of historic proportions – for the individual as much as for society, for governments as well as for corporations. It takes national and international solidarity and flexibility to overcome this crisis.

We at Daimler are determined to contribute our part and support to the best of our ability. We have taken numerous steps to protect our employees, slow down the spread of the pandemic, and fulfill our social responsibility. Constantly updated information can be found [here](#).

**“** We changed the world with the horseless carriage. We want to do that again with emission-free vehicles.



**Ola Källenius**

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



But one thing is likely to remain unchanged: In the future, people all over the world will continue to strive for security, health, freedom, and prosperity, as well as participation, progress, and mobility.

And they will emphasize self-determination. In the sheltered space of a vehicle, you are “automobile” in the truest sense of the word. You decide for yourself how and where you’re going, as well as when and with whom. You’re in the midst of the action without having to give up the benefits of privacy. That’s one of the reasons why most people enjoy driving their car – and our brands symbolize a lifestyle.



## SPURWECHSEL

Less growth is therefore not a realistic option, and “more of the same” is even less so. The automotive growth will be justifiable over the long term only if it is in accord with society and the environment. The more people strive for the freedom that a car represents, the more we also need a new independence – from fossil energy carriers, limited resources, accidents, time-consuming traffic jams, and even, if so desired, freedom from the need for a driver or for ownership of a car. This new independence is our mission. We are changing lanes: More mobility with fewer risks to sustainability – that’s the transformation symbolized by our SpurWechsel.

### What makes Daimler's sustainable business strategy stand out

## Climate protection

In its latest report, the Intergovernmental Panel on Climate Change calls on the global community to limit global warming to a maximum of 1.5°C.<sup>7</sup> Climate change is leading to increasingly frequent extreme weather events such as torrential rains, droughts, and hurricanes – not only in the southern hemisphere but also in the midst of Europe.<sup>8</sup>

In order to minimize the consequences of climate change, we as a company must work together with governments and civil society across national borders. That’s why at Daimler we set ourselves challenging targets for climate protection in 2019. We aim to reach these targets within the next 20 years.

### How we are supporting climate protection



26 years

In order to reach the 2°C target of the Paris Agreement, the global economy must be operating CO<sub>2</sub>-neutrally within the next 26 years at the latest.<sup>9</sup>

We are strongly committing ourselves to innovations, openness to new technologies, and competition in order to find the best solutions. At the same time, we need clearly defined rules and effective mechanisms for the long-term reduction of CO<sub>2</sub> emissions – for example, an adequate and efficient pricing system. These rules should be cooperatively formulated and globally enforced.

## Resource conservation

In recent decades economic growth and increasing prosperity have been accompanied by a massive increase in the consumption of natural resources. The worldwide consumption of resources more than tripled between 1970 and 2017 – and this increase is steadily continuing.<sup>10</sup> We are convinced that we need to decouple the growth of prosperity from the (increasing) consumption of resources. And in order to do that we are transforming our value chain into a value-added cycle.

### [How we address resource conservation](#)

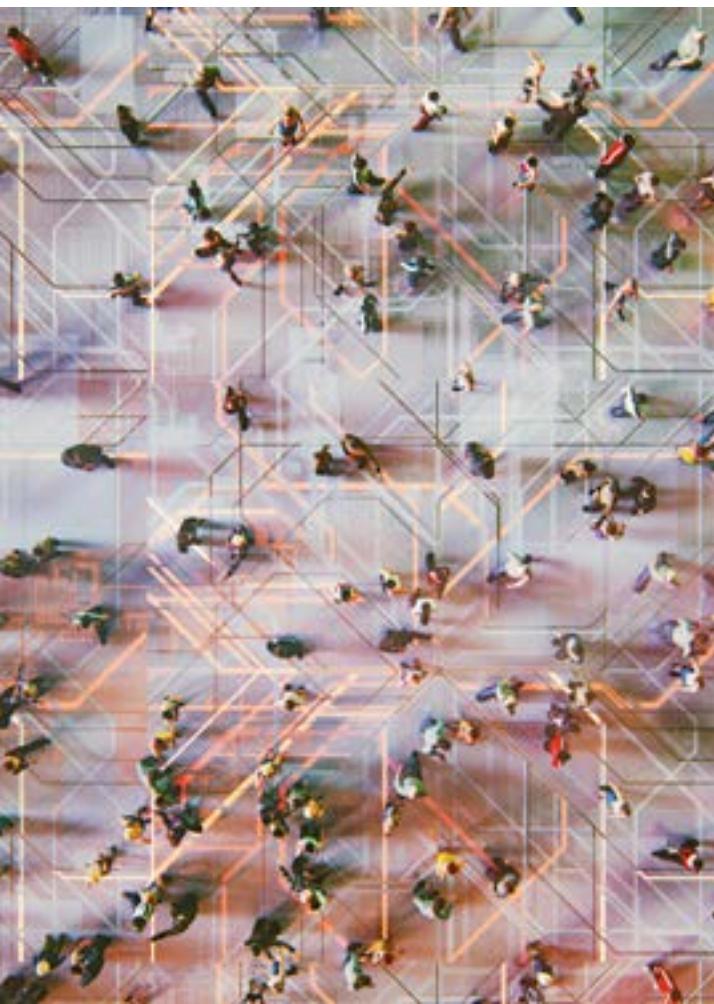
**“** Like all other companies, Daimler is being challenged to transform itself and become climate-neutral. There is no way to avoid this challenge, and Daimler has already begun to tackle it. The transformation should continue to be shaped in ways that do not sacrifice mobility.



**Prof. Dr. Ernst Ulrich von Weizsäcker**

Environmental researcher and climate expert

 [Read the full interview](#)



## Responsibility in a global and digitalized world

Economic growth and prosperity are linked with the growing demand for raw materials and products. The global supply chains that these developments require are growing increasingly complex, and they pose many environmental and societal challenges. An important aspect of these supply chains is respect for and protection of human rights. For example, the expansion of electric mobility requires raw materials such as lithium, cobalt, and nickel. However, there is a risk that these raw materials are possibly being extracted under conditions that are critical in terms of human rights. We are therefore implementing a systematic approach along our automotive value chains with which we aim to prevent human rights violations.

### [How we at Daimler stand up for human rights](#)

But physical raw materials are not the only valuable resources. The economic growth and global networks of recent decades would not have been imaginable without digitalization. New digital solutions create many benefits for society. This also applies to mobility. As a result of automation, in the future vehicles will communicate ever more closely with their drivers, other vehicles, and the infrastructure. That can bring us more freedom, safety, and comfort – but it also means that huge volumes of data will be shared. That's why one of our top priorities is the responsible handling of data.

#### [How Daimler practices data responsibility](#)

**“** *There is probably no other industry at the moment where the need for transformation is so urgent. Either you do it now and get it right or you are going to be out of business, being irrelevant. It is that kind of excitement and tension.*



**Peter Bakker**

President and CEO of the World Business Council for Sustainable Development  
Member of the Advisory Board for Integrity and Corporate Responsibility

## Cities: Where the world meets

The world is closing ranks, not only digitally but also physically. Urbanization is increasing; more than half of the world's population is already living in cities. According to the United Nations, a total of five billion people will be living in the world's cities by 2030.<sup>11</sup> Making these metropolitan areas fit for the future in social, environmental, and economic terms is one of the crucial challenges of our time.



**70%**

Studies predict that almost 70 percent of the world's population will be living in cities by 2050.<sup>12</sup>

Cities offer their residents a whole range of opportunities. They are meeting places for knowledge workers and creative minds from all over the world and testing grounds for new forms of cohabitation. That makes cities important players in the search for solutions to global challenges such as climate change. And cities are increasingly showing what more sustainable living could look like – for example, through multimodal and intermodal mobility solutions. These services are based on the smart networking of buses, trains, carsharing, private cars, and bicycles. As a company, we want to make our mark by offering new digital mobility services and innovative solutions for the transportation of goods.

#### [How we are helping to make cities more livable](#)



# 53%

Only about 53 percent of city-dwellers worldwide have access to local public transportation.<sup>13</sup>

Meanwhile, it's essential not to neglect the surrounding regions. That's because more and more people are commuting to their workplaces – in Germany that applied to 60 percent of all workers in 2017.<sup>14</sup> And for many of them, individual mobility is crucial. Integrating individual transport into new mobility concepts safely and effectively is an important task. In this complex mix of individual and mass transportation as well as the growing volume of goods transport, the topic of traffic safety is moving further into focus. Assistance systems and the further development of automated driving in our cars, vans, trucks, and buses are helping to reduce dangerous situations and making mobility safer, more efficient, and more comfortable.

#### [How Daimler is promoting greater traffic safety](#)

1 Our World in Data (2019), [World population living in extreme poverty](#).

2 United Nations (n.d.), [Ending poverty](#).

3,4 The World Bank Group (2019), [Poverty overview](#).

5 The World Bank Group (n.d.), [CO<sub>2</sub> emissions](#).

6 United Nations Department for Economic and Social Affairs (2019), [World Population Prospects](#).

7, 8 Intergovernmental Panel on Climate Change (2019), [Special Report: Global Warming of 1.5 °C](#).

9 Mercator Research Institute on Global Commons and Climate Change (2019), [That's how fast the carbon clock is ticking](#).

10 United Nations Environment Programme (2019), [Global Resources Outlook 2019](#).

11,13 United Nations (n.d.), [Sustainable Development Goal 11](#).

12 United Nations Department of Economic and Social Affairs (2019), [World Urbanization Prospects 2018: Highlights](#).

14 Bundesinstitut für Bau-, Stadt- und Raumforschung (2017), [Immer mehr Menschen pendeln zur Arbeit](#).

# A CHANGING CULTURE



## WE ARE SHAPING THE FUTURE

“No one can say with certainty what our business will look like in the future. However, we can learn how to work with this uncertainty. Because uncertainty also means that a whole range of opportunities are lying before us,” says Ola Källenius, the Chairman of Daimler AG. That is why we are already becoming more digital, more agile, and more international today. We are questioning traditional ways of doing things and striking out in new directions in order to strengthen solidarity and equal opportunities within our company. All of this is making us strong as we tackle the challenges of tomorrow.

Electrification, automated driving, connected urban mobility: Our products are changing at breathtaking speed. But what does the new world of mobility mean for our corporate culture and the way we work together – within the company and also with our business partners?

**“Companies test themselves again and again in the course of their history – and are always changing. This applies to their culture as well as to their technologies.**



**Prof. Dr. Josef Wieland**

Business ethicist at Zeppelin University Friedrichshafen

[Read the full interview](#)





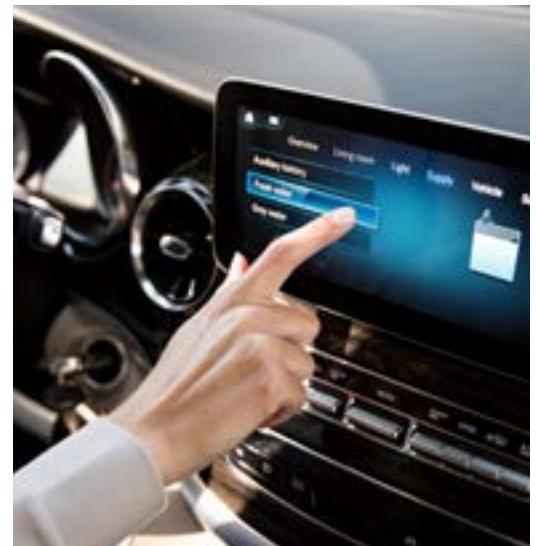
## Living our values

As the physical surroundings and general conditions change for the automotive industry and its business partners, suppliers, shareholders, investors, employees, and customers, we are safeguarding our values and our culture as constants. We are not only adhering to laws and regulations but also taking on responsibility and aligning our actions with ethical principles and our values. In line with our corporate principles, we deal with one another in a spirit of openness and an attitude characterized by mutual respect, tolerance, and fairness. All of these topics are brought together in our Integrity Code. Through training courses, dialog events, and the provision of digital information, we support our employees as they develop a shared compass of values for their daily work.

 [Values in daily business](#)

## Faster, better, digital

Big data, new work methods, artificial intelligence, blockchain, current developments in legal tech – for us, all of these concepts are more than mere buzzwords. Today they are already making a strong impact on our corporate culture and the way we think and act. We are forging ahead with digitalization in all of our corporate units. We make sure to involve all of our employees in this process. We are giving them time to orient themselves in this new world of work and offering them strong support through qualification and training courses.



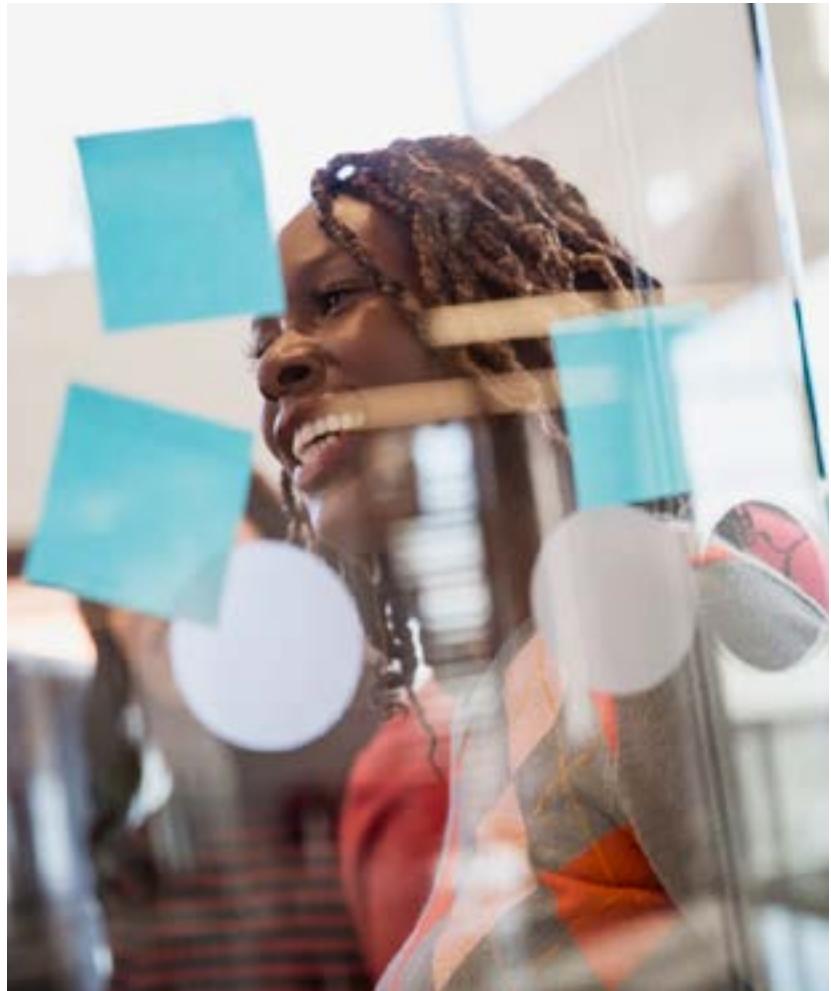
Today all the processes of our value chain are connected with one another – from design to production, sales, and service. Our production operations today take place in “smart factories” where physical and digital processes intertwine. The more closely artificial intelligence and automation penetrate our manufacturing processes, the more important it becomes to find talented employees who are eager to help shape this transformation. But digitalization also means that long-standing job profiles are changing. We have to prepare our employees for these changes and qualify them for new responsibilities. That applies in equal measure to our trainees in the production area, our developers of vehicle architectures and software-based solutions for vehicles, and our sales personnel. That is because our customers can also expect to have digital alternatives to a visit to a car dealership – not only when buying a car but also when ordering services during the use phase.



# 20%

We have set ourselves the target of increasing the share of women in senior management positions worldwide to 20 percent by the year 2020.

In 2019 this share stood at 19.8 percent.



## We are diversity

Around 300,000 people from over 160 countries are part of the Daimler Group. As a result, we have a wealth of perspectives and individual experience that we can draw on in our daily work. We want to continue enhancing this diversity, because we won't be able to master new challenges with old ways of thinking. We need creative ideas, unconventional solutions, and employees who can commit wholeheartedly to our company – independent of their origin, age, gender, individual abilities, sexual identity or orientation.



# 160

Around 300,000 people from over 160 countries are part of the Daimler Group



## Leadership culture? Cultural leaders!

Today employees too have different expectations regarding their employers than they did in the past. They want more freedom of choice, more opportunities to implement their ideas, and a flexible working environment. We are actively shaping these changes by means of concrete measures that are noticeably changing our organization. We want to have a culture of cooperation that will ensure our success in the future as well.

“We have always done things this way” is a thing of the past. Today we’re shaking up old structures and redefining the rules that govern our management culture. The corporate culture of the future is being shaped by the people who know our company best – ourselves – in an initiative that has been open and transparent from the very start. Participation and support are coming from all levels of our company, including the Board of Management. Four years ago we kicked off our biggest cultural transformation with the initiative “Leadership 2020.” By now Leadership 2020 has become more than just an initiative; it is therefore being continued under the name “Leadership 20X.” It’s an ongoing process, because cultural change doesn’t happen overnight.



People of Change – Mashudu Munyai



## Environmental Leadership Award

We motivate our employees to strive for excellence and innovation in every area. That also includes environmental protection. For the past 20 years we have been honoring outstanding in-house environmental protection projects with the Environmental Leadership Award. This award recognizes commitment and creative ideas regarding the environmentally friendly design of products and production processes. With it we also honor initiatives that improve environmental conditions in the countries and regions in which we operate. We have presented this award twelve times since it was introduced in 2000.

# PARTNERS FOR CHANGE





## GLOBAL CHALLENGES CONCERN EVERYONE

Climate protection, resource conservation, data security, human rights – many challenges of our time do not stop at national borders. As a result, broadly based cooperation and targeted partnerships are becoming increasingly important. At Daimler, we too strive to be in continual communication with all of our stakeholders. We want to get to know different perspectives, acquire new knowledge, and learn from experience. The first step toward practical solutions often consists of participation in constructive discussions of controversial topics.

Achieving worldwide compliance with and enforcement of social and environmental standards sometimes poses a tremendous challenge to the community of nations. But not only governments need to rise to the challenge. Companies and civil society must also do their part.

Our mission at Daimler is to create value for our customers, shareholders, and employees, as well as for the society in which we live and work – and to maintain the right balance between profits on the one hand and environmental and social responsibility on the other. We believe that our special strength is our potential for making use of new technologies. “The passion for invention never ends,” said Carl Benz. Neither does its necessity.

 [Establishing dialog and exchange](#)

**“** All sectors must work together for us to meet our low carbon goals. In addition, economic and tax policy must create a framework to give companies the room to transform and to enable consumers to afford this transformation.



**Sandrine Dixson-Declève**  
Co-President of the Club of Rome

 [Read the full interview](#)

## We seek conversation

We seek and practice open discussions with our stakeholders – also and especially concerning controversial topics.



*We don't always agree on everything. But in particular our agreement to keep discussions confidential encourages people to accept the existence of different perspectives and strive to come up with practical solutions.*

**Renata Jungo Brüngger**  
Member of the Board of Management of Daimler AG  
Integrity and Legal Affairs

### DISCUSSING

#### In conversation with the experts

One important format for these discussions is the Daimler Sustainability Dialogue, which has been held annually in Stuttgart since 2008. It brings about 100 sustainability experts from various fields together with Daimler representatives, including several members of our Board of Management. In workshops we discuss current and future sustainability issues, assess the progress we have made as well as the associated deficits and risks, and use these findings to define the actions we need to take in the future. Many impulses flow directly into our work. In 2019 the sustainability experts met in Stuttgart for our twelfth Daimler Sustainability Dialogue. We seek dialog with our stakeholders in important international markets as well. For example, in 2019 we held a Daimler Sustainability Dialogue in Beijing, China for the seventh time.

 [Daimler Sustainability Dialogue 2019](#)



 [Daimler Sustainability Dialogue 2019](#)

## COOPERATING

### Initiatives involving external partners

In addition to the dialogs we initiate, we also participate in various associations, committees, and sustainability initiatives. They include our memberships in major industrial associations such as the German Association of the Automotive Industry (VDA) and international initiatives such as the UN Global Compact. Daimler also participates in several working groups of national sustainability initiatives such as “econsense – Forum Nachhaltige Entwicklung der Deutschen Wirtschaft e. V.” (a German business forum for sustainable development), and we regularly host or participate in related events. One example of that is the dialog event “ecolution” on November 13, 2019 in Berlin, where about 350 participants discussed the topic “Rethinking value creation.” It featured a talk by Renata Jungo Brüngger, Member of the Board of Management of Daimler AG, in which she explained how Daimler cooperates with its suppliers to minimize risks of human rights not being respected in its complex supply chains.

 [More on econsense](#)

*We are strongly committed to playing our part in climate protection activities. The automotive industry wants to be, and will be, part of the solution. That's why we are very open to the ideas of the EU Commission about the European Green Deal.*

#### Ola Källenius

Chairman of the Board of Management of  
Daimler AG and Mercedes-Benz AG  
Vice President of the VDA



## PARTICIPATING

### Sought-after participants of public debates

Daimler representatives regularly participate in public discussions. There they are available to answer critical questions, express their standpoints, and show what steps Daimler is taking on the road to sustainable mobility. In 2019 Britta Seeger, the member of the Daimler Board of Management responsible for Mercedes-Benz Cars Marketing & Sales, participated in a panel discussion at an event devoted to “The Climate Crisis and the Mobility of the Future.” In early September “#aussteigen” – a demonstration at the IAA Frankfurt combined with a rally ending at the site – was organized by a number of associations (ADFC, BUND, Campact, DUH, Greenpeace, Friends of Nature Germany, VCD) and the German Association of the Automotive Industry (VDA).

 [The Climate Crisis and the Mobility of the Future: This is what we talked about](#)

**“ Companies that involve their customers, employees, and the communities in which they do business have the opportunity to gain greater brand loyalty and increased commitment. In today’s world, these factors are crucial for profitability.**



**Hunter Lovins**

Professor of Sustainable Management at Bard College, New York

↗ [Read the full interview](#)

## ASKING QUESTIONS

### “Brass tacks with smart heads”

In this series of interviews, we talk with oceanographers, creative artists, and experts in urban farming – in short, pioneering thinkers, contrarians, and visionaries. Many of these talks have sparked lively discussions, as the numerous comments about them on our intranet testify.

↗ [Our series of interviews with external experts](#)

## LISTENING

### A talk with Fridays for Future

Worldwide protests against climate change have been held since 2019 under the slogan “Fridays for Future.” The movement started as a school strike, but soon also attracted adults advocating more intense climate protection. What does “Generation Z” expect from a company like Daimler? From its perspective, can economic growth and sustainability ever be reconciled? Simon Baumgart, co-organizer of the “Fridays for Future” protests in Karlsruhe, talked with us in our sustainability podcast “SpurWechsel” (only available in German, transcript in English).

↗ [Our “SpurWechsel” podcast](#)



## NETWORKING

### Partnership with “Tech Open Air”

As technology revolutionizes the way we live and work, how can we help people understand and utilize these technologies for themselves? The annual Tech Open Air Festival in Berlin is devoted to questions like these. In 2019 Daimler was one of the main partners of this festival for the second time, under the slogan “Mobility and Connectivity in the City of Tomorrow.” The festival also serves to create links with the international tech and startup scene and to present Daimler as an attractive employer to talented young people.

↗ [More on Daimler at Tech Open Air 2019](#)

## Good advice is invaluable: Impetus from outside

The Advisory Board for Integrity and Corporate Responsibility is an important source of input for Daimler. Its independent members from the fields of science and business as well as civic organizations give us critical and constructive support and valuable outside perspectives.

 [More on our Advisory Board for Integrity and Corporate Responsibility](#)

**Peter Bakker**

President and CEO of the World Business Council for Sustainable Development (WBCSD)

**Dr. Teresa Fogelberg**

former Deputy Chief Executive of the Global Reporting Initiative (GRI)

**Prof. Dr.-Ing. Helmut Holzapfel**

Head of the Centre for Mobility Culture, Kassel

**Dipl.-Volkswirtin Renate Hornung-Draus**

Managing Director of the Confederation of German Employers' Associations (BDA), Head of the Department of the European Union and International Social Policy

**Prof. Peter Jones OBE**

Professor of Transport and Sustainable Development at UCL Center for Transport Studies in London

**Prof. Pierre Sané**

Founder and President of the think tank Imagine Africa Institute

**Sylvia Schenk**

Attorney based in Frankfurt, member of the INTERPOL Standing Committee on Ethical Matters and the FIFA Human Rights Advisory Board, former Chairwoman of Transparency Deutschland

**Dr. Martin von Broock**

Chairman of the Management Board of Wittenberg Center for Global Ethics (WZGE)

## Solo acts are out

More and more automakers are joining forces in specific theme fields to enhance their future-oriented capabilities, shorten development times, and share costs. Few companies are able to master the necessary transformation on their own. That's why Daimler is working together with a wide variety of partners, ranging from startups to major industrial groups, along the road to CO<sub>2</sub>-neutral mobility and sustainable products and services.



**Markus Schäfer**

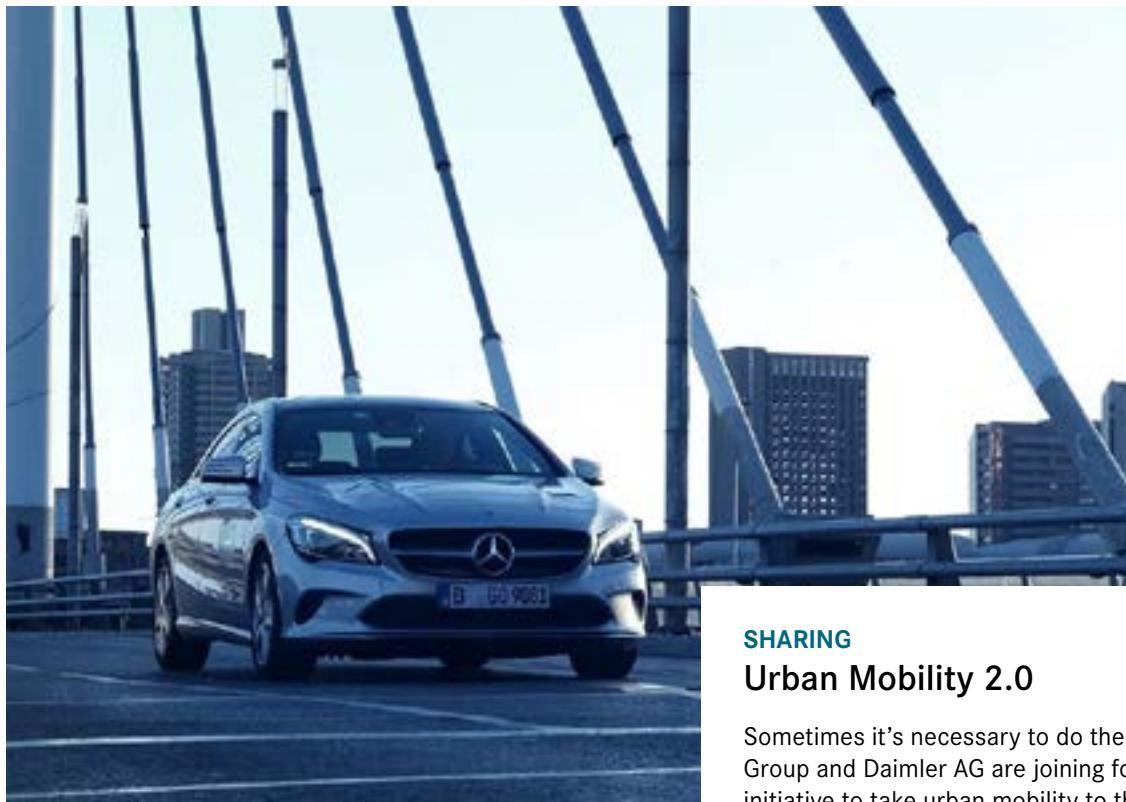
Member of the Board of Management  
Group Research & Mercedes-Benz Cars  
Chief Operating Officer



### COOPERATING A highway for startups

STARTUP AUTOBAHN is an innovation platform for entrepreneurs from the area of mobility. It connects young startups and established companies, bringing together specific technical know-how with comprehensive automotive expertise. The process starts with a 100-day scouting phase in which the potential of startups from all over the world is assessed. During a selection day, 50 of these startups can personally present themselves in a process similar to speed dating. In 2019 this group included startups from the areas Future of Mobility, "THE NEXT GREEN THING," smart production, and Enterprise 2.0. We arranged solid partnerships with the 30 most promising startups so that they can implement their ideas in pilot projects.

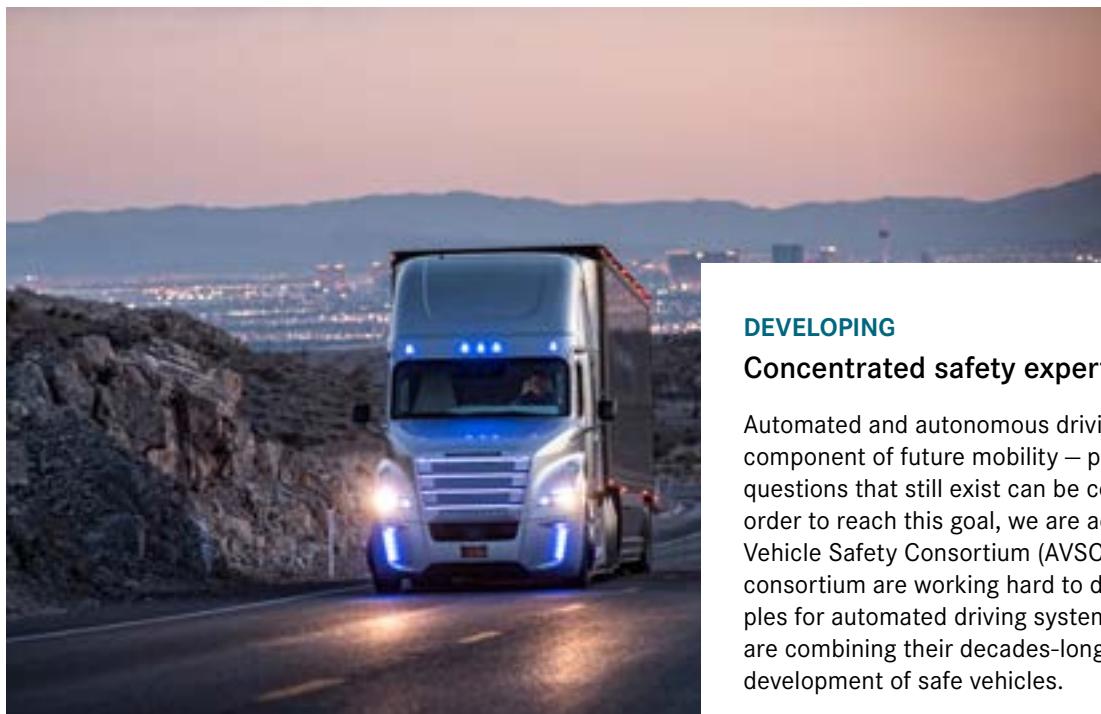
 [Shaping the future with STARTUP AUTOBAHN](#)



## SHARING Urban Mobility 2.0

Sometimes it's necessary to do the impossible. The BMW Group and Daimler AG are joining forces in the YOUR NOW initiative to take urban mobility to the next level. Whether it's ride hailing, carsharing or digital parking solutions, under the roof of YOUR NOW we create mobility solutions that reduce the pressure on our roads and combine diverse forms of individual mobility.

↗ [More on various mobility services of YOUR NOW](#)



## DEVELOPING Concentrated safety expertise

Automated and autonomous driving is an important component of future mobility – provided that the open questions that still exist can be convincingly solved. In order to reach this goal, we are active in the Automated Vehicle Safety Consortium (AVSC). The members of this consortium are working hard to develop safety principles for automated driving systems. In the process, they are combining their decades-long experience in the development of safe vehicles.

↗ [Enhancing safety: our commitment to the AVSC](#)

# SUSTAINABLE BUSINESS STRATEGY



DAIMLER

## Sustainability built into our strategy

SpurWechsel – we are changing lanes: We can and want to once again steer the history of mobility in a positive direction. We are the founders of the “good old days” of the automobile, but now it's time to shape the “good new days” of sustainable mobility – through innovations rather than restrictions. At Daimler, sustainability means creating lasting economic value for our shareholders, employees, and partners, while always keeping in mind the environmental and societal impacts of our activities on our stakeholders along the entire value chain.



That is why we are forging ahead with electric mobility. That is why we are connecting our vehicles. That is why we are doing everything in our power to reconcile the growing need for mobility with climate protection and improving air quality, with resource conservation, livable cities, maximum traffic safety, systematic data responsibility, and the effective protection of human rights.

The transformation to self-determined and sustainable mobility is one of the biggest renewal projects of our time. But it is also one of the most important and most inspiring ones. This transformation goes far beyond our company, and even beyond the automotive industry. It requires new alliances between science, automakers, suppliers, the energy industry, politics, and society. It can be accomplished, however, and it must be done together, not in conflict with one another.

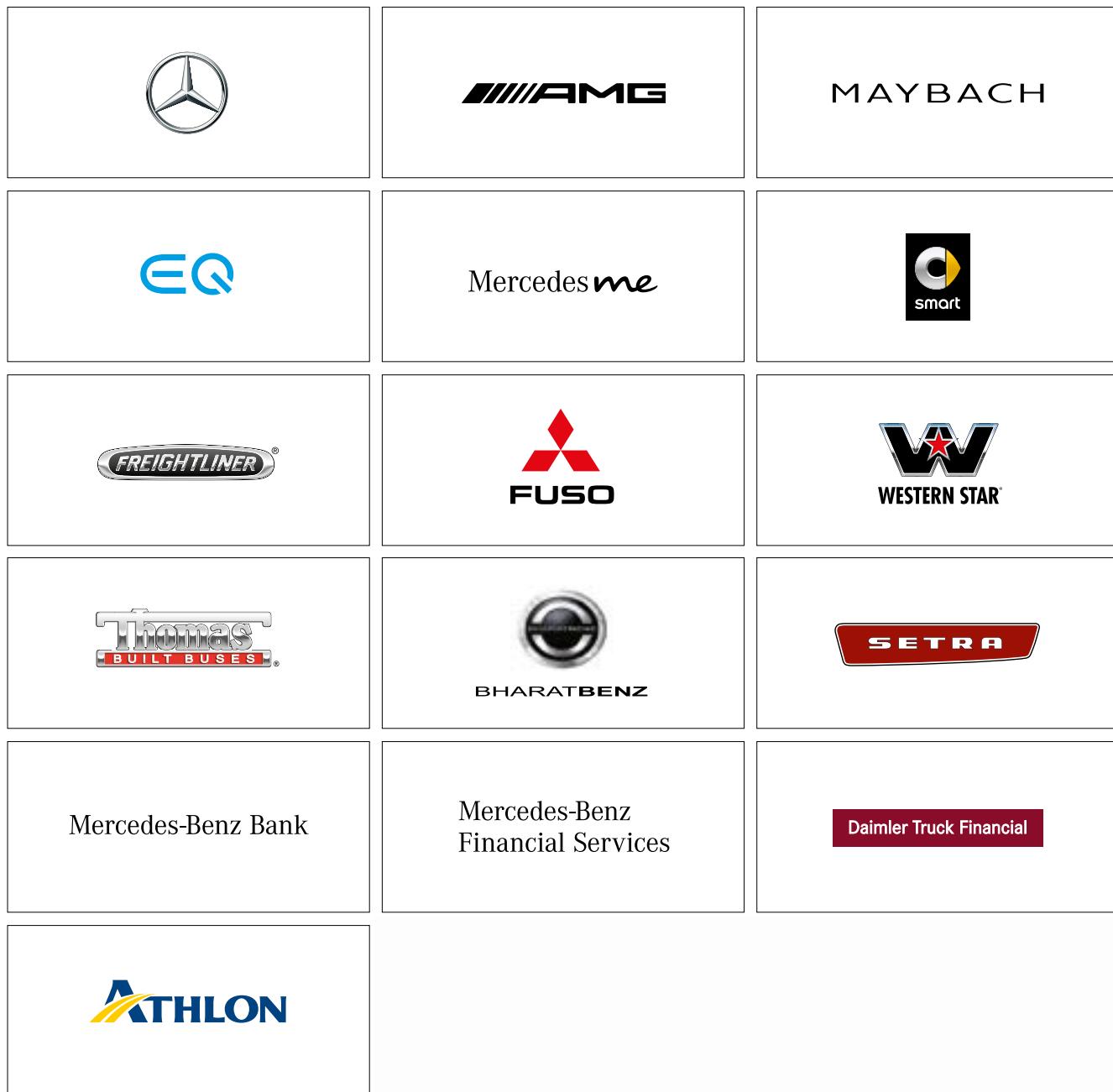
## Group profile 2019

### Daimler Group

	2018	<b>2019</b>
<b>Employees (December 31)</b>	298,683	<b>298,655</b>
<b>Production locations</b>		
Europe	34	<b>33</b>
NAFTA	18	<b>21</b>
Latin America (without Mexico)	7	<b>7</b>
Africa	2	<b>2</b>
Asia	8	<b>8</b>
<b>Unit sales</b>	3,352,415	<b>3,344,951</b>
<b>Financial key figures (in EUR millions)</b>		
Revenue	167,362	<b>172,745</b>
Research and development expenditure	9,107	<b>9,662</b>
Income taxes	3,013	<b>1,121</b>
Employee expenditure	22,432	<b>22,657</b>
Total dividend	3,477	<b>963</b>

## Our brands

Daimler AG is one of the world's most successful automotive companies. With its Mercedes-Benz Cars & Vans, Daimler Trucks & Buses and Daimler Mobility divisions, the Group is one of the leading global suppliers of premium cars and one of the world's largest manufacturers of commercial vehicles. Daimler Mobility offers financing, leasing, fleet management, investments, credit card and insurance brokerage, as well as innovative mobility services.



## Our strategy for the future

We firmly believe that individual mobility will likely be a basic human need in the coming decade as well. Demand for goods transport services remains a key pillar of the economy and our prosperity, and this demand can be expected to increase even further around the globe for years to come. The markets for financial services and the demand for fleet management services and digital mobility solutions are also likely to develop positively in the future. We are committed to the principles of sustainability and in particular of climate protection, and are therefore setting our course for CO<sub>2</sub>-neutral mobility.

**“ Our strategy is helping us lay the groundwork for climate-neutral and sustainable mobility. The key to achieving this goal is innovation within the framework of a holistic approach along the entire value chain.**



**Ola Källenius**

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

The basis of our strategy is our purpose – the spirit and purpose that guide all of our decisions and actions. What is our DNA, what makes us who we are, why are we as a company active in the market? We have answered these questions for all of our divisions. Mercedes-Benz Cars' motto is “First Move the World.” Daimler Trucks & Buses is there “For All Who Keep the World Moving,” and Daimler Mobility makes it clear that “We Move You.” Daimler itself is the connecting element that holds these businesses together, as symbolized by the word “move.”

For us this means striving to achieve more than just the obvious – and to go beyond our immediate concerns, with regard to sustainability as well.



**MOVE.  
PERFORM.  
TRANSFORM.**

[Annual Report 2019: Objectives and Strategy](#)

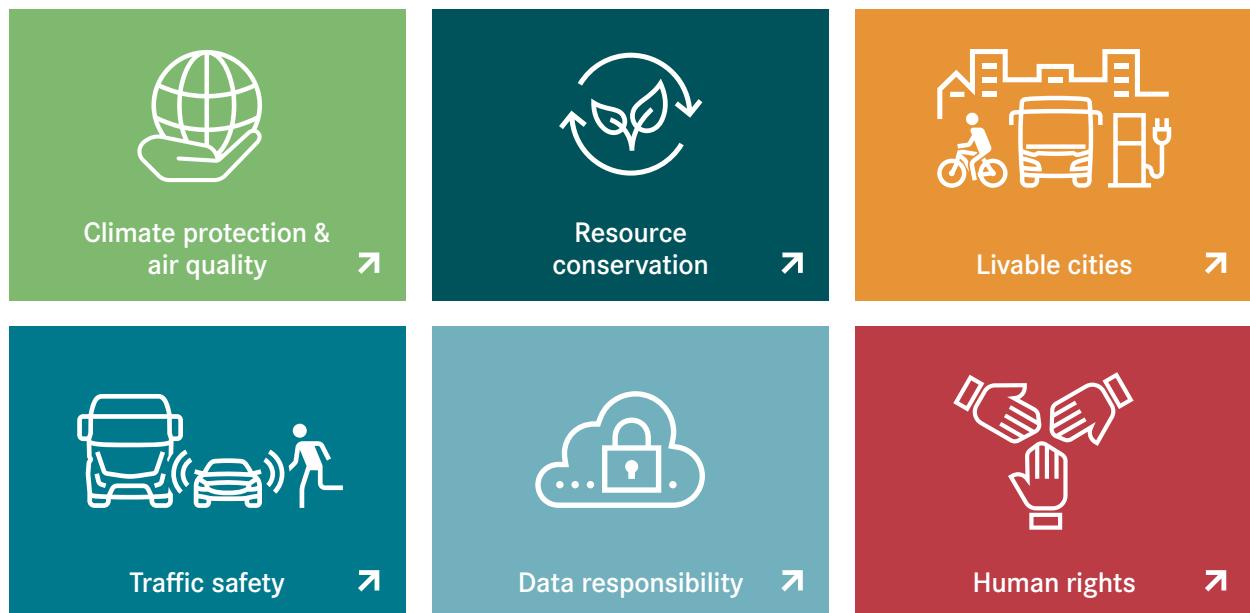
# Our six sustainability themes

We have derived specific goals from our aspiration. Sustainability issues thus form an integral part of our business strategy. We know that we can only remain successful over the long term if we conduct our business operations responsibly. In doing so, we generate added value for all our stakeholders – for our customers, employees, investors, business partners, and society as a whole.

## In order to achieve this, we plan to:

- offer CO<sub>2</sub>-neutral mobility over the next 20 years,
- decouple resource consumption from growth in our business volumes,
- provide mobility and traffic management solutions that make cities more livable,
- implement measures that increase safety on the road,
- continue to utilize data responsibly,
- assume responsibility for respecting human rights along the entire value chain.

With our central sustainability management we have set ambitious targets and ensure tracking them in our six strategic themes:



# Utilizing the potential of sustainability

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

Our success thus depends on the following enablers:



Integrity



People



Partnerships

**“** In order to make sure that sustainability-related activities have a substantial effect, they have to be regularly monitored and adapted in keeping with the latest developments. We therefore work together with our stakeholders on the formulation of key issues and targets. International frameworks such as the Sustainable Development Goals of the United Nations and the ten principles of the UN Global Compact provide a fundamental guide for our activities in this regard.



**Renata Jungo Brügger and Markus Schäfer**

Co-Chairs of the Group Sustainability Board

Further information and key figures:

[Sustainable business strategy, AR 2019](#)

[Additional details of our regions, AR 2019](#)

[Key financial figures for 2019, AR 2019](#)

[Key figures environment](#)

[Key figures Human Resources](#)

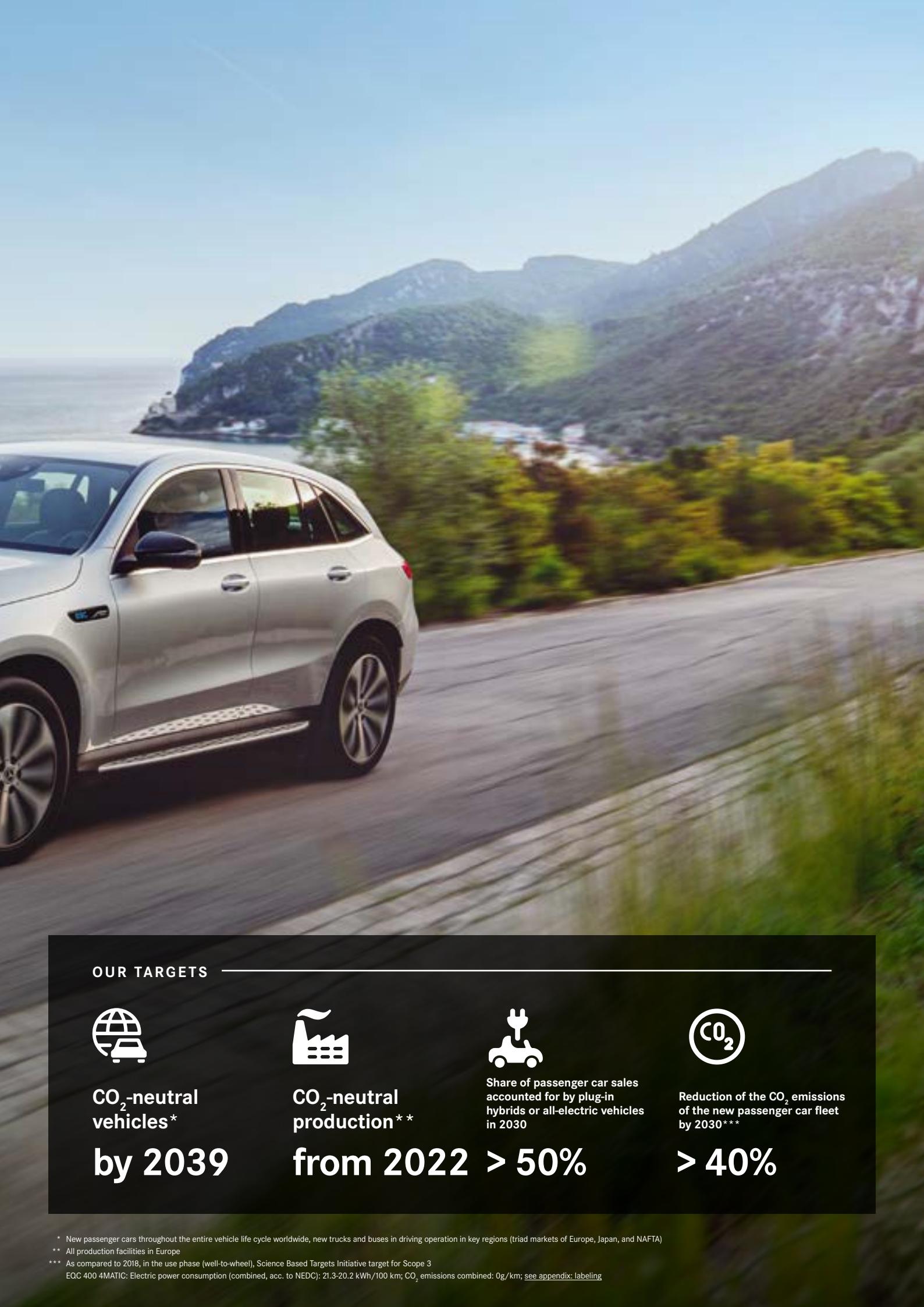
[Sustainability strategically integrated](#)

# CLIMATE PROTECTION & AIR QUALITY



## On the road to CO<sub>2</sub>-neutral mobility

Emission-free mobility – this is our vision and the basis of our commitment to climate protection and air quality. It is also a core element of our sustainable business strategy. Our aim here is for our new vehicle fleet to become CO<sub>2</sub>-neutral by 2039 and to no longer have any relevant impact on air quality in inner cities. We address climate protection using a holistic approach, as our objectives relate to all stages of automotive value creation – from the supply chain to production, the vehicle use phase, and vehicle disposal and recycling.



## OUR TARGETS



CO<sub>2</sub>-neutral  
vehicles\*

by 2039



CO<sub>2</sub>-neutral  
production\*\*

from 2022 > 50%



Share of passenger car sales  
accounted for by plug-in  
hybrids or all-electric vehicles  
in 2030



Reduction of the CO<sub>2</sub> emissions  
of the new passenger car fleet  
by 2030\*\*\*

> 40%

\* New passenger cars throughout the entire vehicle life cycle worldwide, new trucks and buses in driving operation in key regions (triad markets of Europe, Japan, and NAFTA)

\*\* All production facilities in Europe

\*\*\* As compared to 2018, in the use phase (well-to-wheel), Science Based Targets Initiative target for Scope 3

EQC 400 4MATIC: Electric power consumption (combined, acc. to NEDC): 21.3-20.2 kWh/100 km; CO<sub>2</sub> emissions combined: 0g/km; see appendix: labeling

## CO<sub>2</sub> neutrality at Mercedes-Benz Cars: We are flipping the switch

We plan to fundamentally transform our product portfolio over the next two decades. Our approach to achieving emission-free mobility involves electric vehicles powered by battery-electric and fuel cell drive systems, further improvements to efficiency through hybridization, and the further development of our vehicles with modern combustion engines.

**“** As we work to achieve our long-term goal of climate neutrality, we are focusing on both the systematic electrification of our product portfolio and on our supply chain: A portion of the battery cells used in the next generation of vehicles produced by our EQ product and technology brand will already be manufactured using electricity obtained exclusively from renewable sources.



**Markus Schäfer**

Member of the Board of Management of Daimler AG  
Group Research & Mercedes-Benz Cars  
Chief Operating Officer

### AMBITION 2039

#### 2039

We aim to achieve CO<sub>2</sub> neutrality for our new passenger car fleet by 2039.

#### 2030

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

#### 2025

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

#### 2022

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



## Daimler Trucks & Buses: Making CO<sub>2</sub>-neutral transport a reality

As one of the world's leading manufacturers of commercial vehicles, we have made a firm commitment to electric mobility in heavy-duty trucks. With our electric city buses and comprehensive "eBus" consulting services, we are already making a major contribution to locally emission-free public transport and the improvement of air quality in cities.

**“** Our ultimate goal is to achieve CO<sub>2</sub>-neutral transport on the road by 2050. Along with battery-electric drives, we are also focusing on fuel cells, as the two technologies ideally complement each other. In order to achieve our goal, competitive conditions for CO<sub>2</sub>-neutral transport must be established for our customers in terms of costs and infrastructure.



**Martin Daum**

Member of the Board of Management of Daimler AG  
Chairman of the Board of Management of Daimler Truck AG

**2022**

Battery-electric series-production vehicles in all core regions by 2022.

**second half of 2020s**

Hydrogen-based series-production vehicles in the second half of the decade.

**2039**

CO<sub>2</sub>-neutral driving operation\* by 2039 for new trucks and buses in the markets of Europe, Japan, and NAFTA.



\* Tank-to-wheel

## Climate-neutral production

We aim to achieve CO<sub>2</sub>-neutral production. Production at our Daimler plants in Europe will be CO<sub>2</sub>-neutral as of 2022, when 100 percent of purchased electricity will come from renewable sources such as wind and hydroelectric power facilities. The rest will be generated by photovoltaic systems on the roofs of our production halls, or in our own highly efficient natural gas-fired combined heat and power (CHP) plants. From 2022 on, we will utilize suitable compensation projects to offset the resulting CO<sub>2</sub> emissions, as well as other CO<sub>2</sub> emissions produced by the use of fossil fuels. In order to continue lowering the remaining CO<sub>2</sub> emissions beyond the reductions from the compensation projects, we are aiming to achieve an absolute reduction of 50 percent of CO<sub>2</sub> emissions relative to 2018 in Mercedes-Benz Cars & Vans production operations worldwide by 2030.

We have been successful on our path, as already this year we were able to achieve our long-term reduction targets for the period from 1992/1994 to 2020.

 [On the road to CO<sub>2</sub>-neutral production](#)



# 2022

CO<sub>2</sub>-neutral production  
in Europe

## Working together to protect the climate

Our holistic approach to climate protection also involves including our suppliers, as we plan to implement effective climate protection measures in cooperation with our partners in the supply chain. It all starts with transparency. To this end, we are working with organizations such as [① CDP](#) to assess the environmental impact of our passenger car supply chain. We are cooperating closely with our most CO<sub>2</sub>-intensive suppliers to also identify effective CO<sub>2</sub> reduction measures in this area. Our goal at Mercedes-Benz Cars is to establish CO<sub>2</sub> targets as a key criterion for selecting suppliers and concluding supplier agreements.

 [Climate protection in the supply chain](#)

**-50%**  
absolute CO<sub>2</sub> emissions reductions from production operations by 2030

## Our commitment to climate protection: scientifically verified

Mercedes-Benz Cars & Vans had its climate protection targets scientifically verified by the [① Science Based Targets Initiative \(SBTI\)](#) in 2019. This makes it clear that our targets are aligned with the [① Paris Agreement](#) and the latest findings of the scientific community.

### Our SBTi-verified targets:



Reduction of the greenhouse gas emissions of the new vehicle fleet at Mercedes-Benz Cars & Vans during the vehicle use phase ([① well-to-wheel](#)) by more than 40 percent as compared to 2018 by 2030.



50 percent reduction as compared to 2018 of CO<sub>2</sub> emissions and energy purchases ([① Scope 1 & 2](#)) at our Mercedes-Benz Cars & Vans plants worldwide by 2030.

 [Further details of our SBTi targets](#)

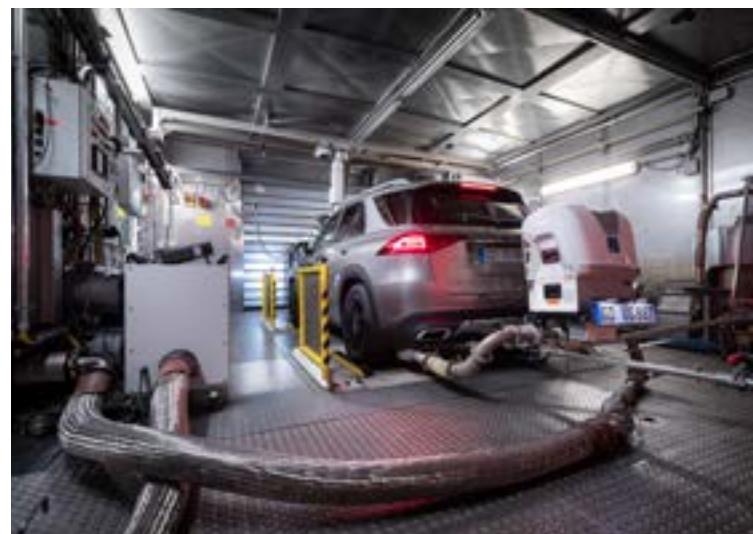


## Improving air quality

In addition to climate protection, the improvement of inner-city air quality plays an important role for us. Our objective here is to ensure that, beginning in 2025, our new fleet of cars will no longer have a significant impact on NO<sub>2</sub> pollution in urban areas. We are also increasing transparency with regard to particulate emissions and are working to further reduce such emissions.

For this reason, Mercedes-Benz has systematically adapted its product portfolio to a new generation of diesel engines over the last few years and has invested approximately €3 billion in development and production for this purpose. Vehicles equipped with the new engines also display low NO<sub>x</sub> emissions in real driving operation: On many journeys using the Real Driving Emissions (RDE) measuring process, they actually record values 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<sub>x</sub> values of around 20 to 30 milligrams per kilometer in long-term operation over many thousands of kilometers under RDE conditions.

We are also striving to improve air quality at our plants and surrounding areas, and we aim to achieve best-in-class status with regard to production-related VOC (volatile organic compound) emissions.



## SELECTED MEASURES

### ✓ Our future is electric

We are developing electric model variants of all our vehicle models – from passenger cars and vans to trucks and buses. Thanks to our modular development approach, we are able to transfer technologies between our divisions quickly. Our development focus is battery-electric mobility. However, it is also important that we remain open to other technologies and pursue other solutions, such as those involving **fuel cell drives** or the use of so-called **e-fuels**.



#### Cars

##### **EQC<sup>1</sup>**

The all-electric Mercedes-Benz EQC is the first model from our new EQ series. We delivered the first EQCs to customers in 2019. The intelligent operating strategy utilized for the EQC enables an electric range (acc. to NEDC) from 429-454 km<sup>6</sup>.

##### **GLC F-CELL<sup>2</sup>**

The GLC F-CELL combines innovative fuel-cell and battery technologies for the first time: Apart from electricity, it also runs on pure hydrogen. GLC F-Cell models are currently being used by the Hamburg police department and the Premier of the German state of Baden-Württemberg, Winfried Kretschmann, for example.

##### **Plug-in hybrid family**

Under the label EQ Power, we are consistently forging ahead with the development of our plug-in hybrid vehicles. Between now and 2020, we plan to expand our range of plug-in hybrid variants to well over 20 models.

#### Vans

##### **eVito**

The all-electric eVito has been available since the end of 2018. The eVito comes in two versions – as a panel van for goods transport<sup>3</sup> and as a tourer model with up to nine seats for transporting passengers<sup>4</sup>.

##### **EQV<sup>5</sup>**

The EQV, which was unveiled in 2019, is one of the world's first purely battery-electric full-size MPVs in the premium segment. The technical highlights include a range of 417 km<sup>6</sup> (provisional figures) and rapid charging.

#### Trucks

##### **eActros**

We presented the first electric Mercedes-Benz truck already in 2016. With a range of 200 km, the eActros is ideal for use in urban traffic, where it can also help to lower exhaust gas and noise emissions. Series production of an upgraded version of the electric truck is scheduled to begin in 2021.

#### Buses

##### **eCitaro**

The all-electric Mercedes-Benz eCitaro offers cities and transport companies the possibility of converting their fleets to locally emission-free operation. The bus has a range of around 170 kilometers in typical city driving conditions without the need for recharging during operation.

1 EQC 400 4MATIC: Electric power consumption (combined, acc. to NEDC): 21.3-20.2 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km, [see appendix: labeling](#)

2 GLC F-CELL: Weighted hydrogen consumption: 0.91 kg/100 km; combined CO<sub>2</sub> emissions: 0 g/km; combined power consumption: 18.0 kWh/100 km, [see appendix: labeling](#)

3 eVito Panel Van: Combined power consumption: 24.9-20.5 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km, [see appendix: labeling](#)

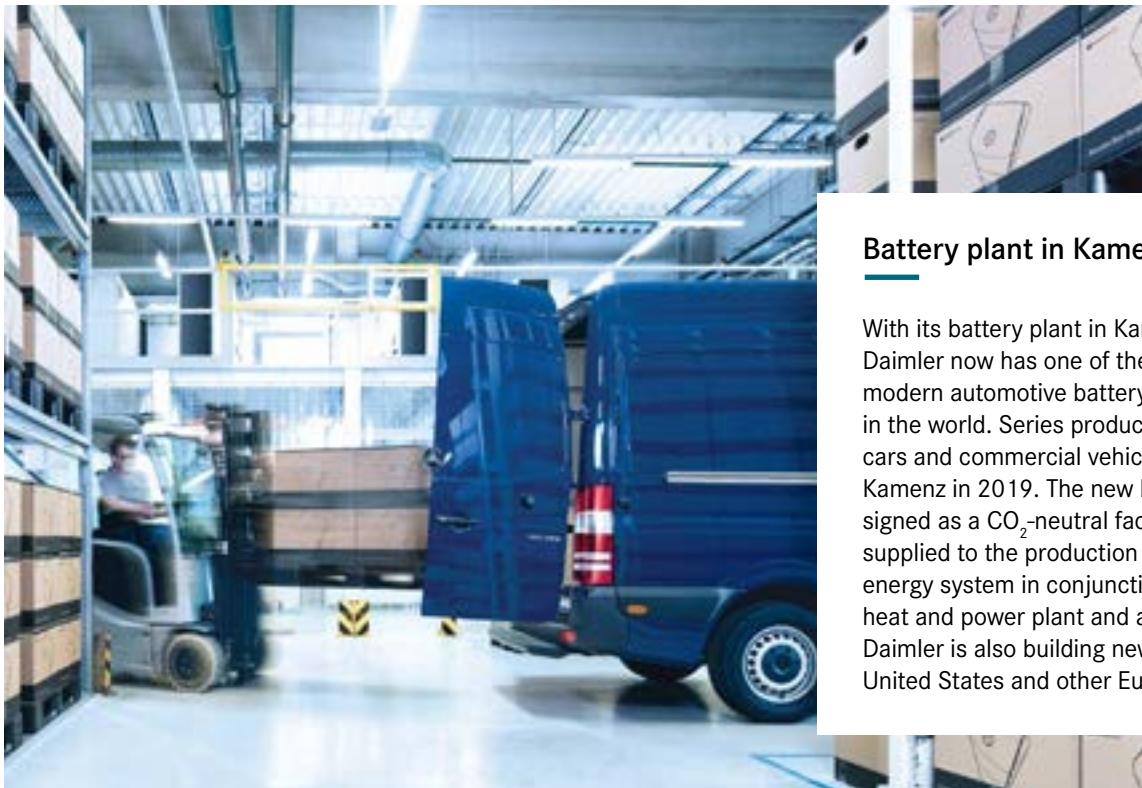
4 eVito Tourer: Combined power consumption: 26.2 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km, [see appendix: labeling](#)

5 EQV 300: Combined power consumption: 26.4-26.3 kWh/100 km; combined CO<sub>2</sub> emissions: 0 g/km, [see appendix: labeling](#)

6 The actual range is furthermore dependent upon the individual driving style, the road and traffic conditions, outside temperature, use of climate control/heating system, etc. and may differ accordingly.

## ✓ Our new plants: Digital, flexible, environmentally friendly production

### [On the road to CO<sub>2</sub>-neutral production](#)



#### Battery plant in Kamenz

With its battery plant in Kamenz, Germany, Daimler now has one of the biggest and most modern automotive battery production facilities in the world. Series production of batteries for cars and commercial vehicles was launched in Kamenz in 2019. The new battery plant is designed as a CO<sub>2</sub>-neutral facility. Here, energy is supplied to the production units by a geothermal energy system in conjunction with a combined heat and power plant and a photovoltaic system. Daimler is also building new battery plants in the United States and other European countries.



#### “Factory 56” in Sindelfingen

Our “Factory 56” is now being built at the Mercedes-Benz Sindelfingen plant in Germany. “Factory 56” will be one of the most modern automobile production systems in the world – and will use CO<sub>2</sub>-neutral energy as soon as it is commissioned. A photovoltaic system installed on the roof will generate green electricity for the manufacturing hall below. Numerous measures to reduce energy consumption will also be implemented at the facility, and approximately 40 percent of the roof’s surface will be turned into a green roof.

### [Further details of our Factory 56](#)

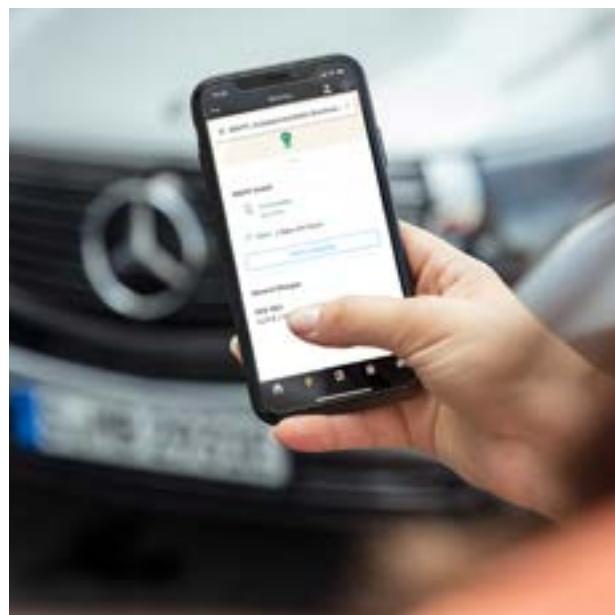
## ✓ Easy charging – all over Europe

We are making it possible for our customers to take advantage of user-friendly electric mobility services, and we are also participating in the expansion of the battery-charging infrastructure. Mercedes me Charge, for example, offers drivers of Mercedes-Benz EQC<sup>1</sup> and plug-in hybrid models equipped with the latest generation of the MBUX (Mercedes-Benz User Experience) infotainment system a special option that gives them access to one of the world's largest charging networks, with more than 300 different operators of public charging stations in Europe alone (in cities, in parking lots, on highways, and in shopping centers).

Mercedes me Charge also allows customers to access the fast-charging stations operated by the pan-European IONITY network. The network's short charging times make for a pleasant journey, especially over long distances. IONITY plans to build and operate around 400 fast-charging stations along the main traffic arteries in Europe by 2020.

The IONITY charging network is set to operate with 100 percent renewable energy in 24 European countries by the end of 2020. IONITY was established in November 2017 as a joint venture between the BMW Group, Mercedes-Benz AG, Ford Motor Company, and the Volkswagen Group (with Audi and Porsche).

 [Further details on charging on the go](#)



## ✓ New sustainability partnership

In September 2019, Mercedes-Benz established a sustainability partnership with Farasis Energy (Ganzhou) Co., Ltd., a Chinese company that develops and manufactures lithium-ion battery technologies. Among other things, the partnership involves the procurement of battery cells manufactured in CO<sub>2</sub>-neutral production systems. To this end, Farasis Energy utilizes electricity from renewable sources such as hydro, wind, and solar energy.

 [Our cooperation with Farasis Energy](#)

## OUTLOOK

The progress we make in achieving our strategic climate targets is continually monitored and reviewed using our central sustainability management. This approach is designed to ensure that we achieve our self-defined targets within the stipulated time frame.

 [How we are managing the Group sustainably](#)

<sup>1</sup> see appendix: labeling



# RESOURCE CONSERVATION

## Resource conservation, recycling, and reuse

Our goal is to transform our value chain into a value cycle. That's because even as the global demand for mobility is increasing, the availability of resources is declining. We're therefore taking on responsibility in terms of both products and production. More specifically, we are seeking to increasingly decouple resource consumption from production growth – for example by closing material cycles, making our processes even more efficient, and increasing the share of recyclates in our products.



## OUR TARGETS UNTIL 2030



### Energy consumption per vehicle\*

Passenger cars  
**-43%**

Status as of 2019: -10%



### Water consumption per vehicle\*

Passenger cars  
**-33%**

Status as of 2019: -7%



### Waste for disposal per vehicle\*

Passenger cars  
**-43%**

Status as of 2019: -25%



### Primary raw material consumption for electric drive systems\*\*

Passenger cars  
**-40%**

Status as of 2019: -

Vans  
**-25%**

Status as of 2019: -7%

Vans  
**-28%**

Status as of 2019: -12%

Vans  
**-33%**

Status as of 2019: -31%\*\*\*

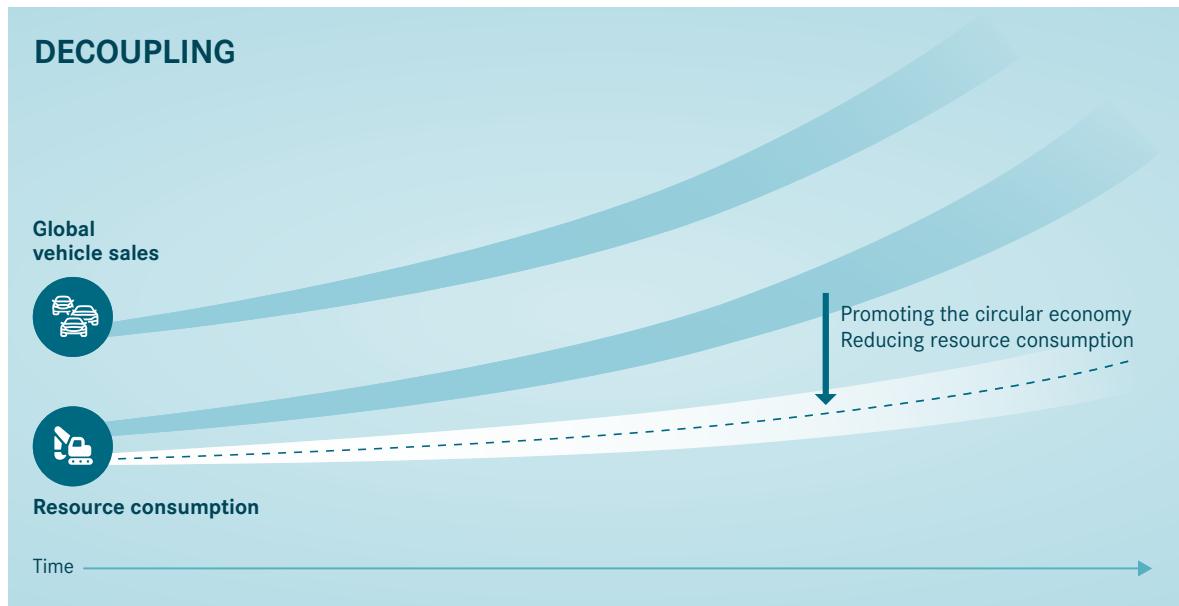
\* In production, as compared to the average for 2013/2014

\*\* Per kWh, as compared to 2015

\*\*\* The reduction was 23 percent if a reclassification of waste for disposal (according to Daimler Group environmental guidelines) at one international location in 2017 is deducted. Accordingly the target for 2030 is currently being reevaluated and adjusted, if necessary.

## Decoupling resource consumption from growth

Environmental challenges are increasing around the world. At Daimler, we are therefore working to close material cycles and further improve the efficiency of our processes in an effort to reduce overall resource consumption and promote the further development of a circular economy. We plan to increase transparency regarding the use of secondary raw materials in our products – at all business units and in all regions. This particularly applies to materials that we require in large amounts – i.e. steel, aluminum, and polymers, as well as the key raw materials used to manufacture batteries.



## Lower materials consumption, lower impact

Our target is to make our vehicles lighter while continuing to reduce the environmental impact of materials used in their production. For this, we are employing new lightweight materials and components, and we also plan to gradually increase the share of renewable raw materials and recycled materials used in our vehicles. Since 2005, we have continually increased the share of plastic recyclates in our vehicles. Within the framework of our research and development activities, we also continue to work on ways to alter the chemical composition of our batteries, which influences their energy density. Such alterations could also lower total battery weight and thus reduce the raw material requirement for future batteries.

### Resource-efficient vehicles

## Identifying critical raw materials: The ESSENZ method

Several types of raw materials used in electric vehicles are associated with certain risks. In order to better assess these risks with regard to passenger cars, we conducted the ESSENZ research project together with partners from industry and science. The result has been a new holistic approach that our engineers are already using in the early phases of vehicle development. Their risk assessments in line with the ESSENZ approach show them how critical the use of a certain raw material is today or can become in the future. Along with the geological availability of a raw material, our engineers also examine socioeconomic factors and social and societal risks.

# 89%

Reduction of specific waste for disposal in our trucks & buses plants<sup>1</sup>

## SELECTED MEASURES

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### ✓ Resource-efficient: “Factory 56”

A characteristic feature of “Factory 56” is its modular building structures that stand out through their energy-efficient and eco-friendly design. The “Factory 56” production hall at the Sindelfingen plant will reduce water consumption and waste production significantly compared to a conventional facility. We have also implemented a range of measures that will ensure lower energy consumption for “Factory 56”. The fact that 40 percent of the roof’s surface is to be planted will not only offset the creation of impervious ground surfaces and ensure rainwater retention; it will also improve the interior climate in the hall.

↗ [Further details on our “Factory 56”](#)

<sup>1</sup> This large reduction from 2013/2014 to the reporting year was, among other factors, achieved through a reclassification of foundry sands at our plant in Mannheim, which are since 2017 being used to seal landfills.

## ✓ From a value chain to a value cycle

We aim to avoid waste and unnecessary resource and energy consumption wherever possible. Within the framework of our **① remanufacturing** approach, we are employing an industrial process to recondition used Mercedes-Benz GenuineParts. These genuine replacement parts, which include engines and transmissions, are thus recycled and used in a second automotive life cycle. The process results in considerably lower energy consumption and CO<sub>2</sub> emissions than would be the case if a new component was to be produced. We are utilizing our remanufacturing approach for both traditional drivetrain components and the **② high-voltage batteries** that are used in our electric and hybrid vehicles.

 [Further details on remanufacturing](#)

**“** *The more we succeed in reusing components, the less energy and resources we will consume during the entire production process. Our priority is therefore a high remanufacturing quota. To achieve this, it is important for us to be involved in the early development phases of a vehicle so that our requirements concerning the parts are taken into account.*



**Andreas Jörg**

Responsible for Remanufacturing and Value Parts & Services at Mercedes-Benz AG

 [Read the full interview](#)

## ✓ New life for used parts

We also disassemble end-of-life vehicles at our Mercedes-Benz used parts center (Gebrauchteile-Center – GTC) in Neuhausen, Germany and make sure that as many used parts as possible can be reused and sold. Parts and components that are not suitable for reuse are recycled. Our goal here is to recover as many valuable recyclable materials as possible – for example copper cables, aluminum and iron scrap, glass, plastics, and shock absorbers.

 [More about our Mercedes-Benz used parts center \(GTC\)](#)

Approximately

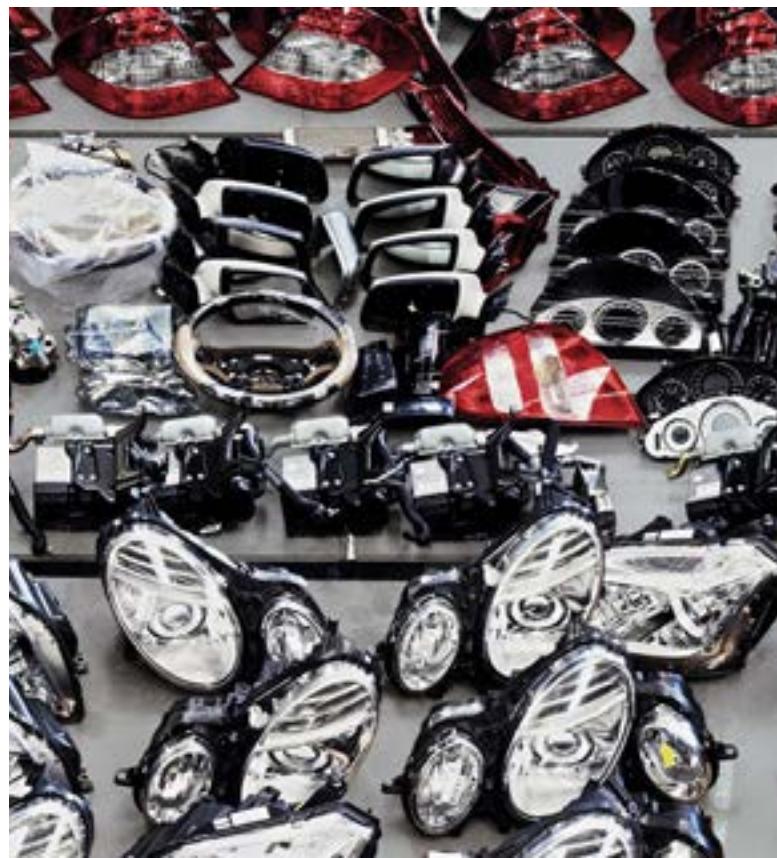
# 5,000

end-of-life vehicles are professionally disassembled by our GTC employees each year

Some

# 20,000

parts and components are included in our remanufacturing product portfolio





## ✓ A second life for vehicle batteries

High-voltage batteries that have been taken from electric and hybrid vehicles and are no longer suitable for remanufacturing are set aside for **1 reuse**. One example of how a high-voltage battery can be reused is in stationary energy storage units, or second-life energy storage systems. The reuse of electric vehicle batteries enables us to improve the eco-balance and economic efficiency of electric vehicles while also making a contribution to a sustainable energy industry.

Energy storage systems can offset fluctuations in electricity production from renewable sources, smooth out load peaks, and serve as backup power sources. The reuse of old vehicle batteries offers a way to operate such storage systems at a low level of resource utilization. Seven such energy storage systems are already operating in Germany.

↗ [Further details on second-life battery storage systems](#)

## OUTLOOK

Our plan for the long term is to transform our entire value chain into a closed-loop value cycle to the greatest extent possible. One of the ways to do this is to return our waste to the material cycle. The materials used in a battery are still very valuable at the end of the battery's life cycle. The recycling and reuse of such materials are currently the focus of our strategic activities and will remain so in the future. Here it is important and necessary for us to incorporate our suppliers more extensively into our activities in this regard – for example through dialog and qualification measures. In addition, we are working in various initiatives that are designed to reduce resource consumption in key raw materials industries.

📘 [Environmentally friendly and resource-conserving production](#)

# LIVABLE CITIES



## A better quality of life in cities

From ridesharing services to public transport and electric and automated vehicles – people who wish to move around in a city can already take advantage of a variety of options. Nevertheless, there remains a huge potential still to be tapped. What's needed are services that are simultaneously comfortable, fast, environmentally friendly, and safe. Our vision at Daimler is to offer sustainable mobility and transport solutions that help to make cities desirable places to live.



## OUR TARGETS

More and more people around the world are moving to cities. There are many reasons for this, one being that there are more jobs to be found in cities. The growth of major metropolitan areas also has negative consequences, however, including higher traffic volumes, which lead to increased emissions and noise. In an effort to counter this development, Daimler is intensively engaging with urban mobility. Reducing emissions in cities, increasing safety, and making a broader range of mobility solutions available – these are our objectives for making livable cities.

We are focusing on three specific areas of action here.



We offer private and business customers in metropolitan areas safe, low-emission products combined with accompanying services.



We are supporting mobility that goes beyond privately owned cars by investing in new mobility services and platforms.



We are helping to create smart cities by understanding cities' needs, combining existing solutions from Daimler, and developing new services.

## SELECTED MEASURES

### Electric city buses



eCitaro city buses recharging at the central charging station at the bus plant in Mannheim.

As we move ahead with the electrification of our vehicle fleet, we are focusing particularly on vehicles that operate in cities. With the all-electric Mercedes-Benz eCitaro, we are offering a locally emission-free city bus, thereby contributing to environmentally friendly local public transport in cities and metropolitan areas.

The Mercedes-Benz eCitaro received two awards at the Busworld Europe international bus show in Brussels in 2019: the “Sustainable Bus Award 2020” in the “Urban” category and the “Comfort Label 2019” award. The panel that voted on the awards determined that the Mercedes-Benz eCitaro currently offers the best combination of sustainability, comfort, and safety.

The number of orders received for the eCitaro has reached three digits, which demonstrates the high level of customer acceptance of this electric bus. Because of this high level of acceptance, Daimler Buses was able to obtain a large number of major orders for the Mercedes-Benz eCitaro in 2019, including orders for 56 units for Wiesbaden, 48 for Hanover, 27 for Aachen, and 25 for Hamburg. The first orders from European cities outside Germany for the battery-electric eCitaro were also received last year. Today eCitaro buses are already in regular service in cities including not only Berlin and Hamburg but also Oslo (Norway), Ystad (Sweden), and St. Gallen (Switzerland).



# Nearly 100%

Beginning in 2022, the eCitaro will be equipped with a fuel cell range extender that will enable the bus to be used on virtually all local public transport routes

**“** We see the greatest requirements by far arising from the trend toward electric mobility. In Europe alone, the fleet of battery-electric buses is set to increase to over 2,500 units this year. For the future this means that various European cities will only buy low-emission or emission-free buses. We assume that in 2030 over 70 percent of all newly registered city buses will have an emission-free drive system.



**Thomas Tonger**  
Product planner and manager at Daimler Buses

[Read the full interview](#)

## Holistic electric mobility from Mercedes-Benz Vans

Mercedes-Benz Vans is systematically forging ahead with the electrification of its product portfolio with locally emission-free electric drive systems and thus helping to ensure more sustainable mobility for people and goods in cities. The first step in this direction was made with the eVito panel van, which was followed by the eVito Tourer. The eSprinter was then launched in 2019. In the same year, Mercedes-Benz Vans presented the world's first purely battery-electric premium full-size multi-purpose vehicle: the EQV (power consumption combined: 26.4-26.3 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup>. The vehicle offers a range of 417 km<sup>2</sup> without compromising the usability of its interior space.

The eDrive@VANs strategy involves not only the electrification of the vehicle fleet but also the design of an overall system solution for each individual application scenario. This includes advice on vehicle selection, assistance with tools such as the eVAN Ready app, and a holistic approach to the total cost of ownership. Decisive for potential electric van users is the analysis of the organizational and technical circumstances at commercial customer sites. Finally, the integration of an intelligent charging infrastructure concept lays the foundation for conserving resources with a commercial fleet while remaining economically competitive.



[More information on eDrive@VANs](#)

<sup>1</sup> see appendix: labeling

<sup>2</sup> The actual range is furthermore dependent upon the individual driving style, the road and traffic conditions, outside temperature, use of climate control/heating system, etc. and may differ accordingly.



### ✓ Well connected: Making transport safer and more efficient

Along with personal mobility, the transport of goods also plays a key role in urban traffic. Mercedes-Benz Vans offers digital solutions in this area with Mercedes PRO connect, which provides fleet customers with data they can use to analyze the driving style of their drivers and its effect on fuel consumption or vehicle wear and tear, for example. Drivers can then receive training in line with the results of these analyses. Such training courses can help reduce fuel consumption and the risk of accidents. Mercedes PRO connect is currently available in 19 European countries and in the United States. The web-based service benefits fleet operators ranging from small businesses to major clients.

## ✓ The vision of autonomous driving

How can more people and goods be transported with fewer vehicles on a virtually unchanged road infrastructure? For us, the answer is Vision URBANETIC – a vehicle that can transport both people and goods. Depending on the body structure used, the Vision URBANETIC can serve as a [ridesharing](#) vehicle for up to 12 passengers or as a cargo transport van that can hold as many as ten Euro pallets. It is based on an autonomously driving electrically powered chassis combined with a complex IT infrastructure that analyzes supply and demand in a defined area in real time while also evaluating local information about nearby events, for example.

Full networking capability and intelligent control enable the Vision URBANETIC to not only analyze information but also learn from it. As a result, the system can predict and respond to future needs. Thus processes can be optimized, for example in order to shorten waiting or delivery times and to avoid congestion. The idea here is that the concept vehicle should ease the traffic burden in inner cities over the long term and help improve the quality of life in the city.

 [Mercedes-Benz Vision URBANETIC on YouTube](#)

## ✓ Strong partner for cities

We have been expanding our Urban Mobility unit since April 2019. The unit is working closely with representatives from cities and Daimler's business divisions to develop new solutions, products, and business models that help improve the quality of life in cities. We believe it is our responsibility to support cities in their efforts to make mobility safe, sustainable, and accessible through the use of innovative products. Our partnerships with cities therefore focus on, among other things, examining ways that the knowledge gained from the processing of vehicle data can help cities improve traffic planning and traffic management. In this way, we want to improve traffic flows and increase safety on city streets, for example. Other projects that we are involved in focus on concepts such as mobility hubs and mobility services for special target groups, for example people attending specific events. All of these concepts are designed to enable end users to access the best mobility option for their needs in a given situation. In some cases this might involve using a car, while in others the better option would be to use a ridesharing shuttle, public transport, or a rental bike.

 [More information on the Urban Mobility unit](#)



## OUTLOOK

With regard to local public transport, the eCitaro will be launched with next-generation batteries in 2021. Before then, solid-state batteries (lithium polymer batteries) are set to be introduced in the second half of 2020. We also plan to begin offering the battery-electric bus with a range extender (a hydrogen-based fuel cell that supplies the high-voltage battery with electricity) in 2022. Future battery technologies can lead to increased service coverage in regular operation – with the range extender enabling nearly all routes to be served.

We are also developing locally CO<sub>2</sub>-neutral vehicles for urban distribution haulage and municipal applications. Additional plans call for the launch of the eActros in 2022. This electric series-production truck will boast locally CO<sub>2</sub>-neutral operation and also help reduce noise emissions in cities. Beginning in 2022, the eEconic will make trash collection a quieter and locally emission-free process. We aim for selected customers to begin testing the electric truck in 2021.

 [Rethinking urban mobility](#)

# TRAFFIC SAFETY



## Priority for more safety

We want to make car accidents a thing of the past. Accident-free driving – this vision is a firm component of our sustainable business strategy. In order to make this vision a reality, we are focusing on the further development of our driver assistance and automated driving systems in particular. Our extensive assistance and safety systems offer our customers a high level of safety and comfort and also reduce driver stress. Our innovations already make it possible today for driving assistance systems to support drivers on many types of streets and roads, facilitate lane changes on multi-lane roads, and park in and drive out of tight spaces in an automated driving mode with the driver monitoring the vehicle. Our assistance systems also reduce the danger of a collision in an increasing variety of situations. The societal and ethical implications of such systems are always taken into account.



## Clear commitment to accident-free mobility

Accident-free driving: This is our ambitious vision for the future of mobility. We are pursuing this vision emphatically because we know that every accident is one too many. Our in-house accident research activities provide us with information on how accidents occur and which safety systems can be used to help prevent them. In this way we are laying the foundation for innovative safety technologies and ever more sophisticated systems based and oriented on actual accidents. We intend to continue on this path. Along with simulations and crash tests, information on actual accidents play a key role here. That's why we have established our own stringent internal safety requirements, which in many cases go beyond what is mandated by law and beyond the requirements set by rating agencies. Our Accident Research unit is one of the oldest in the industry: For 50 years, our experts have been examining serious accidents involving current Mercedes-Benz vehicles. Our goal is to learn from these accidents and incorporate the knowledge we gain into the design of new models and measures that improve existing systems. Safety is and will remain our core brand value.

### Among other things, we have committed ourselves to implementing the following measures:

- We aim to achieve the best possible crash safety results with the highest degree of occupant protection.
- We continue to take measures that increase public awareness of the importance of traffic safety through education programs and roadshows, for example, and we promote communication on issues related to safety technology and innovations.
- We are increasing the use of driving assistance systems in trucks.
- We are integrating societal and ethical considerations into conditionally automated and highly automated driving systems – for example with our “Ethics by design” concept.
- We support social and political dialog and the decision-making processes related to automated driving.

**“** Mercedes-Benz has been offering luxury vehicles with outstandingly high levels of quality and claim on safety for many decades. Our customers know that we design the cars with real accidents in mind and on the basis of standardized tests, but they also want to have this confirmed by the safety ratings.



**Axel Heix**

Head of Development, Compact Class Vehicles, Mercedes-Benz AG



## Verified safety

The fact that our vehicles display outstanding safety performance has been repeatedly confirmed by various safety ratings. One example is the Mercedes-Benz GLE. The GLE received the TOP SAFETY PICK+ rating from the Insurance Institute for Highway Safety (IIHS) in the United States for the 2019 and 2020 model years. The IIHS rating assesses both crash-safety features and accident-prevention systems, such as those for emergency braking. The GLE's comprehensive safety concept assured it top marks in the rating.

In 2019, six Mercedes-Benz passenger car models received a top rating for crash tests and driver assistance systems from EURO NCAP (European New Car Assessment Programme – an association of European transport ministries, automobile clubs, and insurance associations): Mercedes-Benz GLB, EQC (EQC 400 4MATIC: Electric power consumption (combined, acc. to NEDC): 21.3–20.2 kWh/100 km; CO<sub>2</sub> emissions combined: 0g/km)<sup>1</sup>, B-Class, GLE, and G-Class. In addition, the Mercedes-Benz CLA was named best in class in the segment “Small Family Cars.”

In January 2019, the partially automated (SAE Level 2) Freightliner Cascadia truck from Daimler Trucks North America received the prestigious Best Transportation Technology award at the Consumer Electronics Show. With the new Cascadia, we are looking to significantly

reduce both accidents and fuel consumption through advancements in automation.

At the beginning of 2020, the Mercedes-Benz Actros was voted “Truck of the Year” by commercial vehicle trade journalists from 24 European countries in recognition of, among other things, our Active Drive Assist system for partially automated driving (SAE Level 2) and Mirror-Cam, which replaces conventional exterior mirrors and not only supports drivers during difficult maneuvers but also improves aerodynamic properties. The journalists were also impressed by the improved fifth generation of the Active Brake Assist system and the Sideguard Assist system, which were invented and further developed by Mercedes-Benz Trucks.

↗ [More information on the IIHS Ranking](#)

↗ [More information on the truck of the year](#)



<sup>1</sup> [see appendix: labeling](#)

## SELECTED MEASURES

### ✓ Innovation always requires safety

During the IAA International Motor Show in September 2019, Mercedes-Benz presented the ideas that are currently being explored by our passenger car safety experts. Among other things, the presentation featured the Experimental Safety Vehicle (ESF) 2019.



The ESF 2019, which is based on the new Mercedes-Benz GLE plug-in hybrid (fuel consumption combined: 1.3-1.1 l/100 km; electric power consumption combined: 28.7-25.4 kWh/100 km; CO<sub>2</sub> emissions combined: 34-29 g/km)<sup>1</sup> includes safety concepts that can be used in a vehicle that can be driven both manually and in a conditionally automated mode (SAE Level 3). The ESF offers a preview of future mobility and boasts a large number of future safety technologies.



[Mercedes-Benz ESF \(2019\) on YouTube](#)

<sup>1</sup> see appendix: labeling

## ✓ Preventing accidents with ABA5

Since January 2020, the fifth generation of our Active Brake Assist (ABA5) system has been included as standard equipment in all new Mercedes-Benz Actros trucks in Europe. Our Sideguard Assist system is also now available as a retrofit solution for many common variants from the Mercedes-Benz Actros, Arocs, and Econic series from model year 2017 on. Such retrofitting measures are designed to ensure that existing systems can be incorporated into as many Mercedes-Benz trucks as possible in the shortest possible time, so that as many road accidents as possible can be prevented.



## ✓ Safer streets and roads worldwide

According to the "Global Status Report on Road Safety 2018" from the World Health Organization (WHO), about 300,000 people were killed in traffic accidents in India alone in 2018. The report also says that many of these accidents could have been prevented. In 2015, in order to help make roads and streets safer, we launched the SAFE ROADS CSR initiative to increase traffic safety awareness in India. A special summit has since been held every two years (most recently in 2019) with representatives from transport agencies and various interest groups. We have also launched a SAFE ROADS program in China, and for 2020 we will be examining whether the initiative can be expanded to other countries.

## ✓ Mobility Day

Young people also need to be made more aware of the importance of safety if road traffic is to be made even safer in the future. We have therefore teamed up with MobileKids e. V. to plan a special event for schoolchildren from Stuttgart in which Daimler employees will serve as safety ambassadors.

## Finding answers to ethical questions

We would like automated driving systems to be accepted by a broad segment of society. If this is to happen, we need to take ethical questions into account as early as the product development stage and develop our own position with regard to new technologies. Our approach to the responsible development of automated vehicles is based on legal and internal provisions and policies such as our Internal Policy on Technical Compliance, ISO standards 26262 and 21448 for safety-relevant electrical/electronic systems in vehicles, the UN-ECE proposals for standardizing memory and Requirements for an Automated Lane Keeping System, the German government's Ethics Commission's 20 guidelines on automated and connected driving, and our four AI principles.

### Moving ahead with automated driving

## OUTLOOK

The detailed analyses of accidents and how they occur is an important aspect of our efforts to prevent accidents more systematically in the future. Such analyses help us better understand the circumstances and nature of the accidents in which our vehicles are involved, so that we can determine where we need to take action in order to lower the risk of an accident occurring. We plan to expand this form of data collection in the future, in particular by combining it with predictive simulation techniques. For this reason, we are working with existing and new cooperation partners on developing accident research approaches that continually improve and expand the ways accident and traffic data are collected and analyzed.

### Assistance systems: Prevention is the top priority

# DATA RESPONSIBILITY

A close-up, interior view of a modern Mercedes-Benz car. The focus is on the driver's side, showing the steering wheel with the Mercedes-Benz logo, the center infotainment screen displaying a digital instrument cluster, and the center console with various controls. The car's interior is dark with metallic and wood-like accents. Through the window, a chain-link fence and a stone wall are visible, suggesting an urban or industrial setting.

## Shaping future mobility with data

As digitalization increases, the right way to deal with data is becoming more important as a success factor. 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 their data is managed responsibly.



## OUR TARGETS FOR 2020

### Effectiveness of our Data Compliance Management System\*

DESIGN



IMPLEMENTATION



EFFECTIVENESS

2021\*\*

### Development of the Data Governance Organization

DATA GOVERNANCE  
COMMITTEE

**Active**

DATA & ANALYTICS  
BOARDS

**4/4 active**

\* Multi-stage assessment method for the continual improvement of: 1. Design – Is the system designed to ensure the achievement of the goals of the Compliance Management System? 2. Implementation – Has the system that has an effective design also been implemented as planned? 3. Effectiveness – Is the implemented system being used effectively?  
Assessment scale: green = completely fulfilled; yellow = partially fulfilled; red = not adequately fulfilled

\*\* The effectiveness of the Data Compliance Management System cannot be reliably determined until at least six months after it is successfully implemented.  
This component will therefore not be assessed until 2021.



## Data responsibility – One of our most important concerns

We aim to continually increase customer satisfaction by offering products and services that meet customer requirements and expectations. In order to identify these requirements and expectations and take them into account when we refine our vehicles and services, we need to make sure that our customers trust us to handle their data responsibly. Here it is crucial that we ensure the security of customer data and that we respect and protect our customers' privacy. Gaining customers' trust in this manner is extremely important, especially if customers are to accept new technologies. We are the first automotive manufacturer to formulate its own four principles for the use of artificial intelligence, which are taken into account in handling this technology. They are responsible use, explainability, protection of privacy, and safety and reliability of the applications.

Our Data Compliance Management System supports our systematic and risk-based planning, implementation, and continuous monitoring of measures to ensure compliance with the data protection requirements. The Data Compliance Management System focuses on data protection law. For our corporate units in the EU and the processing of data from the EU, the GDPR and our internal Data Protection Policy EU are definitive; for our corporate units outside the EU, the respective local data protection laws and our internal Global Data and Information Policy apply. Data protection is a major consideration from the very beginning in the development of new products and services.

### Responsible use of data

**“** *Data is the future – data makes it possible for us to offer innovative services and thus create added value for our customers. At the same time, we handle data responsibly at Daimler because we believe that data protection is a mark of quality. The trust that people have always placed in a Mercedes has to be carried over from the real highway to the data highway.*



**Renata Jungo Brügger**

Member of the Board of Management of Daimler AG  
Integrity and Legal Affairs

## SELECTED MEASURES



### ✓ Centralized control: The Data Governance Committee

In January 2019, the Board of Management adopted a resolution establishing a Data Governance Committee at the Group level. The task of this committee is to define the policies on Group-wide core data management issues, information security, data protection, and data compliance, and to make all necessary decisions in these areas. The Data Governance Committee consists of the Data Governance Board, a governing body that meets on a quarterly basis, and the Data Governance Working Team, which generally meets once a month.

Data governance involves not only compliance with relevant laws and regulations; its building blocks also include our data vision, the establishment of a data culture, the associated organization, and the Data Compliance Management System. In addition, it involves the creation of infrastructural conditions that enable us to utilize data across various functions. In the spirit of good corporate governance, data governance ensures that data in the possession of the company is managed responsibly. The decisions made by the Data Governance Committee are binding for all data-related activities and data processing in general at the Daimler Group.

In 2019 the Data Governance Committee, among other things, adopted principles for the utilization of artificial intelligence and defined the structure of the future data governance landscape.

### ✓ The Data and Analytics Boards

We are working to establish our data vision at all of our divisions as a framework for ensuring the responsible use of data at the Group. In order to promote the responsible use of data, we established Data and Analytics Boards at the business divisions Mercedes-Benz Cars, Mercedes-Benz Vans, and Daimler Mobility during the reporting year. In 2020 we will also set up a Data and Analytics Board at Truck & Bus that incorporates existing data governance activities. The Data and Analytics Boards are made up of cross-functional international teams of managers who perform data-related tasks. These teams meet regularly to promote the digital transformation at the divisions on the basis of measures prioritized by the Board of Management. The teams are also networked in a manner that ensures a standardized approach to data governance throughout the Daimler Group.

### OUTLOOK

In view of the increasing connectivity and automation of our vehicles and the range of our digital services, we are also continually refining measures to protect the privacy of our customers and ensure the responsible management of their data. Our efforts here focus in particular on designing products and services in a manner that ensures effective data protection. We are also working to further expand our holistic Data Governance System.

Our compliance organization utilizes a centrally managed process to review our Data Compliance Management System once a year. This process evaluates the design, implementation, and effectiveness of the system and makes adjustments wherever necessary.

A photograph showing a worker in a yellow high-visibility vest and a white hard hat, wearing orange gloves, working with large, shiny metal spools. The worker is seen from the side, focused on their task. The background is filled with many more of these spools, creating a repetitive pattern.

# HUMAN RIGHTS

## Respecting and upholding human rights

Advances in mobility should never be achieved at the expense of human rights. We therefore pursue a systematic approach along our automotive value chain to exclude the possibility of human rights violations to the greatest extent possible. Wherever appropriate, we work together with various associations, organizations, and competitors to promote the responsible procurement of raw materials.



## OUR TARGETS

2021

**100**  
percent

Our objective with regard to our service supply chain is to complete our evaluations of new and existing suppliers by 2021.

2025

**70**  
percent

Our objective is to review 70 percent of all high-risk production raw materials and define any necessary measures for these by 2025.

2028

**100**  
percent

Our objective for 2028 is to define measures for addressing 100 percent of our production raw materials that harbor a higher risk of human rights violations.

## Committed to upholding human rights

We aim to ensure that human rights are respected and upheld along our entire value chain. Daimler is therefore 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 ensure that we meet our due diligence obligations with regard to human rights. We are currently working to further expand the Daimler Human Rights Respect System (HRRS) step by step at all Group companies of the Daimler AG and to integrate it into our Group-wide Compliance Management System. We also plan to introduce a separate due diligence approach for human rights in the supply chain. We actively incorporate external stakeholders into all of our activities in this area. For example, we regularly exchange information with [NGOs](#) on human rights risks or invite stakeholders to participate in our annual Daimler Sustainability Dialogue in Stuttgart, Germany.

# 1,127

Daimler performed a total of 1,127 CSR audits at suppliers around the globe in 2019. These audits also focused on human rights issues.



## Systematically addressing human rights

The Daimler HRRS employs a risk-based approach to systematically address human rights issues. Our newly established Social Compliance department works with specialist units and procurement units on measures to safeguard human rights. In our holistic Group-wide approach, each specialist unit is responsible for implementing and monitoring the measures that have been assigned to it. The distinguishing feature of the HRRS is that it focuses primarily on the risks faced by rights-holders, i.e. the affected individuals on the ground, rather than focusing solely on the risks to the company.

[Recognizing risks, taking targeted action](#)

[Sustainable supply chain management](#)

## SELECTED MEASURES

### ✓ Promoting sustainability throughout the automotive industry

Daimler AG is a LEAD partner in the automotive industry's "Drive Sustainability initiative" – a European working group coordinated by the CSR Europe corporate network that seeks to improve sustainability in the automotive supply chain. The initiative has developed an important tool in the form of a standardized sustainability questionnaire for suppliers. In addition, the initiative offers joint training courses and workshops for suppliers to help them improve their sustainability performance.

#### ■ Involvement in associations and sustainability initiatives



### ✓ Transparent communication

We are striving to make our communication on human rights issues more transparent. To this end, we will report in the future in more detail on our website about our approaches, the progress we make, and our achievements in this area and we will also describe the complex challenges associated with the topic. In this manner we will actively address the expectations and information requirements of our customers, investors, rating agencies, NGOs, and the interested public. Our objective here is to increase the trust external stakeholders place in us with regard to human rights measures.

### ✓ Raw materials initiatives

#### Responsible Minerals Initiative

Daimler has been a member of the [Responsible Minerals Initiative](#) (RMI) since 2018. The RMI uses an independent validation scheme for refineries and smelters to demonstrate that they have systems in place to ensure the responsible sourcing of minerals.

#### Aluminium Stewardship Initiative

Daimler joined the nonprofit [Aluminium Stewardship Initiative](#) in 2018 in order to support the implementation of an independent certification scheme for the entire aluminum value chain.

#### Responsible Steel Initiative

The [Responsible Steel Initiative](#) aims to increase transparency in the steel supply chain and to this end is developing a certification system for environmental and social standards. It also focuses on lowering CO<sub>2</sub> emissions in production. Daimler has been a member of the initiative since 2018.

### OUTLOOK

We are systematically continuing our efforts to ensure that human rights are respected and upheld to the greatest extent possible at our Group companies and in our supply chains. To this end, we are also planning numerous additional measures worldwide that aim to increase transparency, increase awareness of human rights, and help us to assess the effectiveness of our activities in this area.

In order to increase the sustainability of our supply chains, we plan to improve transparency and traceability with regard to the raw materials we procure – for example in the supply chain for battery cell production. Here there are concerns that the raw materials needed to manufacture electric vehicles might possibly be obtained under conditions that are critical in terms of human rights. We are also closely examining the supply chains used by our service providers and continuing our dialog with all of our suppliers.

# INTEGRITY

## Values in daily business

Integrity plays a central role at Daimler and shapes how we perceive ourselves. We seek to maintain the trust of our stakeholders in the future as well. This is why it is important that we act responsibly and ethically. Our employees should feel responsible not only for our success but also for the economic, environmental, and social impact of our business activities. We encourage our employees to consistently stand up for our values and to speak openly.



## Ethical behavior is the foundation

For Daimler, integrity means doing the right thing and living by our values. More specifically, this means that we comply with internal and external regulations, act in accordance with our corporate values, and listen to our inner ethical compass. Our Integrity Code defines guidelines for our everyday business conduct and helps us make the right decisions.

We have extensively incorporated integrity-related issues into the processes at our company – as part of non-financial remuneration components, in human resources processes, and within the framework of target group-specific training measures and preventive consulting measures.

### Integrity in practice – strengthening trust

#### Our five corporate principles: the foundation of all our actions



We are profitable and are committed to people and the environment.



We act responsibly and respect the rules.



We speak openly about integrity-related issues and are firmly committed to transparency.



Fairness and respect are the foundation of our collaboration.



We put diversity into practice.

**“** *For me personally, acting with integrity means I can look at myself in the mirror every morning. In other words, I know that I always need to act in line with my principles. Of course I need to consider whether these principles are adequate in real-life situations. It basically comes down to doing the right thing at the right moment and in the right context.*



**Renate Hornung-Draus**

Member of the Daimler Advisory Board for Integrity and Corporate Responsibility,  
Managing Director of the Confederation of German Employers' Associations (BDA),  
Head of the European Union and International Social Policy department

## SELECTED MEASURES



### ✓ Integrity training

Our modular goal-oriented integrity training program is designed to prepare all Daimler employees for difficult situations related to integrity, compliance, and legal requirements. We continually refine our range of training courses and optimize our training processes. All employees, including managers, participate in a web-based integrity training program at regular intervals. In order to offer participants optimal support, the training program also contains a management module that is compulsory for all management staff.

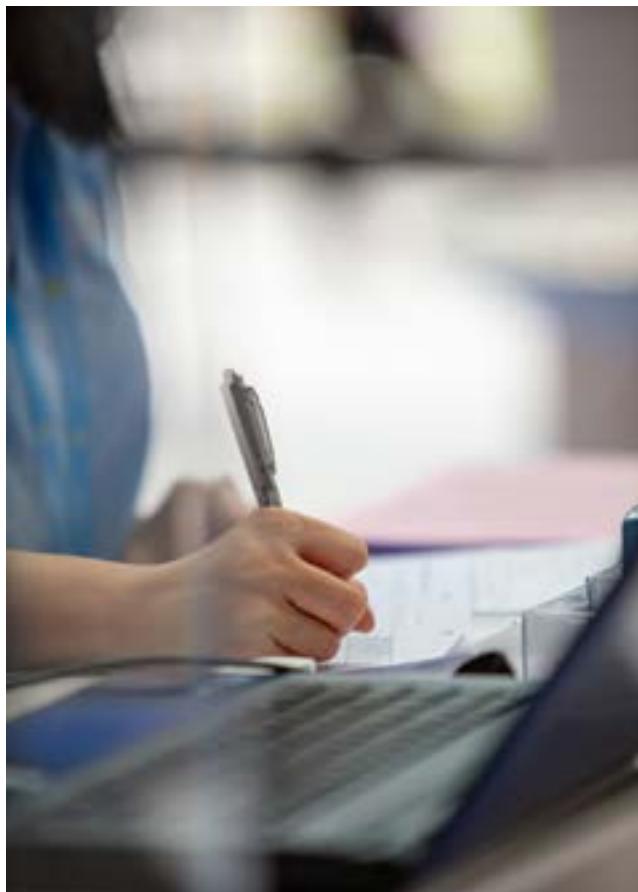
# 19,002

A total of 19,002 employees completed the basic module of our web-based training program for integrity, compliance, and legal issues in 2019. The module offers basic information on integrity, corruption prevention, antitrust law, data protection, and our BPO whistleblower system.



### ✓ New version of our Integrity Code

The Integrity Code defines a legal and ethical framework that is binding for all employees at Daimler AG and Group companies. In October 2019 we published a new version of the [Integrity Code](#) that takes current strategic issues into account. Like its predecessor, this new version offers employees guidance for dealing with various business situations – for example when selecting business partners or engaging with political interest groups and in the field of environmental protection.



## ✓ Integrity survey for employees

The “Big Picture Integrity” – our worldwide employee survey on compliance and integrity – is an important element for strengthening and further developing our culture of integrity. The survey results reveal areas of action and help us formulate appropriate measures for addressing the associated issues. The results are also used to help define the non-financial goals relating to “Integrity” and “Diversity” for the management remuneration system.

# 26

A total of 26 dialog events on integrity were held in 2019. A total of 1,348 Daimler employees participated in these events.

## ✓ Value-based recruiting and promotion process

Next Generation Integrity – this is the name of a company-wide international team of Daimler employees who worked on the further development of our integrity strategy in 2018. They not only formulated an appropriate definition of integrity and established new corporate principles but also developed additional concrete measures for promoting a culture of integrity throughout the Group.

In the 2019 financial year, the Board of Management decided on the basis of the team’s work to develop additional measures in order to ensure that all employees and managers share our values and put them into practice, especially when hiring and promoting staff. This too serves to promote a culture of integrity at the company.

## OUTLOOK

Current developments make it more imperative than ever that we ensure ethical behavior throughout the Group – and continually monitor our progress in this regard. We are therefore working systematically to adapt and refine our understanding of the concept of integrity in line with current and possible future circumstances.

Using our updated Integrity Code as a basis, we are currently revising the mandatory basic module of our web-based training program for integrity, compliance, and legal issues. We also plan to make our employees more aware of our Integrity Code in 2020 and specifically train more employees – e.g. in the production departments.

Questions related to integrity and compliance are also an important part of our Group-wide employee survey. The next survey is scheduled to be conducted in the fall of 2020.

# PEOPLE

## People at Daimler: digitally savvy and diverse

Our goal is to enable our employees to successfully address the challenges of a digital world. 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. That's because only in a culture marked by trust and respect can all employees unlock their full potential and thus enable the company to undergo a successful and sustainable digital transformation.



## OUR TARGETS

Attractiveness as an employer for digitally talented people\*

**Top 5**

Empowerment of employees for the digital transformation\*\*

**>70%**

Agreement rate “diversity (fair treatment)” up to 2030\*\*

**>75%**

Proportion of women in leading management positions until 2020

**20%**

## Support and training

Our employees are the key to our Group's success around the world. That's why we invest extensively in their training and professional development and continually refine our human resources development programs. We want to support all of our employees in line with their needs and offer them effective training measures throughout their careers that enable them to develop further both professionally and personally. Our approach to professional training and human resources development focuses on requirements associated with the transformation of the automotive industry in terms of alternative drive system technologies and digitalization in particular. In 2019, for example, we offered training courses on new developments in the fields of electric mobility and robotics.

Other examples include the following initiatives:



### A stage for digitalization

The fifth DigitalLife Day was held in July 2019. During the event we presented various innovations and internal best-practice examples of the digital transformation at Daimler to the more than 1,000 participants. The goal of the DigitalLife Day is to highlight the benefits and opportunities of digitalization and promote the introduction of digital systems in all corporate units.

[Shaping the digital transformation](#)

### Early start

Our STEM education initiative, "Genius", is designed to get children and young people enthusiastic in various ways about technology and technology topics. STEM stands for science, technology, engineering, and mathematics. Genius also helps teachers make their classes varied and future-oriented by offering them practice-related instructional materials, digital education materials, and advanced training courses.

[Qualifying our employees for tomorrow](#)



### Learning for the future

We use state-of-the-art digital technologies at our training centers to teach our employees new production methods. We also stage Future Workshops at our production locations that allow employees to test new technologies such as 3D printing, virtual welding, and virtual painting processes.

## Committed to a culture of appreciation and respect

In line with our corporate principles, we treat all of our employees with fairness and respect, regardless of their ethnic origin, gender, age, sexual orientation, and individual abilities. Collaboration at Daimler is shaped by team spirit, mutual trust, and respectful communication. This applies not only to collaboration within the Group but also to our cooperation with customers, business partners, and other stakeholders. We establish conditions that give our employees the opportunity to adapt their tasks and assignments to their individual circumstances. In this manner we help them do the best job they can and maintain a high level of performance.

### Promoting diversity and equality

# 160

Some 300,000 men and women from more than 160 countries enrich Daimler with their various cultures, different points of view, and individual skills.

# 9,000

Almost 9,000 employees with disabilities work in Germany at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. Daimler AG has exceeded the legally mandated 5% quota for employees with disabilities for several years now.

## Diversity firmly established

Daimler believes that a diverse workforce is a success factor. Diversity and inclusion management are therefore firm components of our corporate strategy. Here we focus in particular on the following areas of action and goals:



**Best mix:** Forming the best teams based on equal opportunities and anti-discrimination. This also includes increasing the share of women in executive management positions to at least 20 percent by the end of 2020.



**Work culture:** Creating a supportive and inclusive working environment. In order to ensure that we can do this, we conduct a worldwide employee survey every two years.



**Customer access:** Understanding, appreciating, and reaching customers in their individuality.

**“** All over Germany, people from more than 160 nations work at Daimler – day by day, side by side. Respect, openness, and cooperativeness are the values that make us successful. That's why we take a stand for these values instead of looking the other way.



**Wilfried Porth**

Member of the Daimler AG Board of Management  
Human Resources Director of Labor Relations

## SELECTED MEASURES



### ✓ Taking a stand for diversity

The Daimler Pride Tour publicly demonstrates our commitment to increased tolerance, diversity, and inclusion for everyone to see. Our employees take part in pride parades all over the world and in this manner send a clear message that discrimination and marginalization directed against members of the LGBTQ+ community have no place at our company. Our global Diversity Day, which is held once a year, also features numerous activities that draw attention to various forms of diversity throughout the Group.

# 2,000

About 2,000 employees participated in events associated with the Daimler Pride Tour in 15 cities all over the world in 2019.

### ✓ For diversity, against racism

Daimler is a company that stands for diversity and opposes xenophobia and hate speech. In 2019 we launched a campaign for diversity and against racism. We have set up a special page on our Social Intranet that allows employees with a single click to show their support for diversity, tolerance, and respect. Employees can also take a further stand by attaching the diversity campaign logo to their Social Intranet profile and e-mail signature. We stage dialog events that promote openness and seek to eliminate possible resentments. We also continually offer other target group-specific training and communication formats designed to contribute to an inclusive corporate culture. These range from qualification measures to dialog sessions, events, and consulting services.



### ✓ Strengthening the position of women

We have set ourselves the goal of supporting women at all levels of the company. To this end, we have introduced a range of measures – from supporting the education of girls and young women in school through recruitment and individual development. With programs such as Girls' Day and the Genius education initiative, Daimler is pursuing the goal of getting girls in particular interested in technical professions and supporting female engineering students. We also offer special leadership workshops and mentoring programs that help prepare women for work in management positions. In addition, networks set up at Daimler especially for women by women facilitate the exchange.

## OUTLOOK

We plan to continue supporting tolerance and diversity in the future and to help our employees individually. We are constantly refining our measures here, with employee feedback serving as the basis of our approach. The next employee survey will be conducted in fall of 2020.

### Safe and healthy work

A photograph showing the back of a man in a dark suit and white shirt, clapping his hands. He is positioned in front of a blurred audience in what appears to be a conference or event setting.

# PARTNERSHIPS

## Strong partnerships

The challenges we currently face can only be successfully addressed if we work together. Daimler therefore contributes its expertise to the societal dialog and enters into close partnerships. 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.



## Commitment to clear and reliable communication

We consider it important to precisely understand the expectations of our stakeholders and establish a common foundation between their interests and the views of our company. We develop these positions in what we call a 360° process that takes internal and external expectations into account. Our lobbying activities are aligned with our most important positions as a company. We also place a high priority on reliable and fact-based communication with our stakeholders.

**“** Our goal is to promote the common good by bringing about the greatest possible alignment of the interests of Daimler with the concerns of government and society. We regard ourselves as honest advisors and partners, and we are doing our part to solve current problems and challenges.



**Eckart von Klaeden**

Head of External Affairs

## SELECTED MEASURES



### ✓ A laboratory for societal exchange

An inspiring venue for the effective exchange of ideas with stakeholders – that's the Daimler Mobility Lab in Berlin. The lab is scheduled to open in the second quarter of 2020. The Mobility Lab will offer us the opportunity to meet up and speak with stakeholder groups to which we previously had no direct access and could not reach using traditional formats. This direct engagement with a broader yet also well-informed and, most importantly, interested public is very important to us. In addition, the Mobility Lab will allow us to initiate discussions on topics that we believe need to be given greater attention.

### ✓ International dialog

A systematic 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 systematic dialog with the political stakeholders. We are working together with our local stakeholders to launch new projects and expand our international locations, thus creating frameworks that are beneficial for both sides.

In addition, we welcome about 50 international political delegations at Daimler in Stuttgart every year for discussions of current issues.

**50**

External Affairs welcomes an average of 50 international delegations to Daimler locations each year.



## ✓ Good relations in Poland

The small town of Jawor in Lower Silesia is home to Mercedes-Benz's first production location in Poland. We developed the permanent exhibition "Mercedes-Benz meets Jawor" to accompany the opening of our new engine plant there. The exhibition provides members of the local community with information about the new plant, our company, and its history.

### [Mercedes-Benz meets Jawor](#)

# 6,000

Some 6,000 people have visited the "Mercedes-Benz meets Jawor" exhibition since it opened in March 2017.



## ✓ Shaping urban mobility

The Urban Mobility Platform (PUM), which was established on the initiative of the German Association of the Automotive Industry, brings together nine German cities and nine automotive industry companies. The PUM partners regularly meet to develop concrete pilot projects that are designed to shape the future of mobility. Within the framework of the PUM, Daimler teamed up with Bosch, Porsche, and the city of Stuttgart to develop a "Park & Shuttle" concept that can be used by employees at all three companies. The idea here is to consolidate the flow of commuters from the participating companies and thus reduce traffic volume and improve air quality.

# 160,000

Up to 160,000 people in the Stuttgart area can take advantage of our "Park & Shuttle" concept and thus help us reduce traffic congestion on city streets.

## OUTLOOK

We would like to address the expectations of our stakeholders in a more targeted manner in the future. To this end, we are expanding innovative new dialog formats that were designed especially with our stakeholders in mind. Our approach here includes a plan to launch our Mobility Lab on an international scale by opening Mobility Labs in Washington D.C., United States, or Brussels, Belgium, for example.

### [Establishing dialog and exchange](#)

# REPORTING

In 2019, we initiated and accelerated our SpurWechsel, our lane change, by means of our strategic themes – and we have already reached some initial targets. In this part of the report we present Daimler's overarching sustainability management. Next, we report on current developments in our six themes and the three enabler topics that are an important foundation of our business success. In our reporting we have taken the comprehensive requirements of the Global Reporting Initiative into account. We show the relevant indicators directly in the texts and bundled within the GRI Index.

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## SUSTAINABLE CORPORATE GOVERNANCE

# Sustainability strategically integrated

More than 130 years ago, our founding fathers Gottlieb Daimler and Carl Benz invented the world's first automobile. Today we are a global automaker that is shaping the greatest transformation since the automobile was invented: the sustainable mobility of the future. In this process of transformation, we are taking responsibility for the diverse effects of our company on the environment and on society. With our sustainable business strategy we define our fundamental themes. In line with this strategy, we are focusing on the environmental, social, and governance aspects of our work, and by doing so we are reinforcing our role as a successful driver of innovation in our sector.

## Our understanding of sustainability is holistic

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

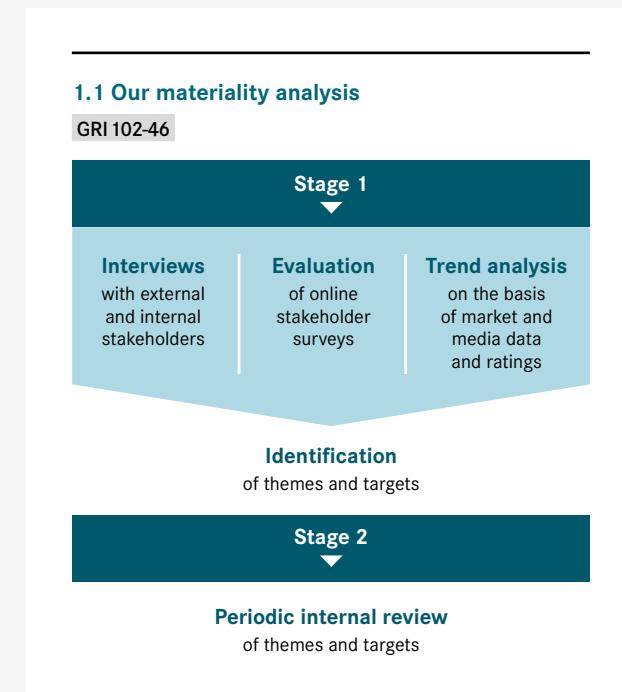
## Sustainable at its core – our new sustainable business strategy

GRI 102-31/-46/-47

The basis of our action is our sustainable business strategy, which was adopted by our Board of Management in 2019. This strategy formulates not only our business targets but also our ambitions, goals, and measures for managing the economic, environmental, and social impact of our business activities. Our strategy is guided by international framework agreements, 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.

## Sustainable Development Goals – our strategic anchor

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. That's why we closely oriented our ideas to the SDGs when we formulated our sustainable business strategy.



We focus on those SDGs that are significantly influenced by our business model and our value chain – areas where we can make the biggest contribution to bringing about change. This mainly affects the following SDGs and the associated sustainability activities:

- **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 our supply chain.
- **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.

- **SDG11** Sustainable Cities and Communities: Daimler is promoting sustainable mobility in metropolitan regions through its offers such as electrified city buses and trucks, carsharing, ride hailing, and the multimodal linking of mobility services.
- **SDG12** 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.
- **SDG13** 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 contributing to global climate protection.

## Material topics and goals

GRI 102-15

Various themes of sustainability are shaping the future of Daimler as a company and as part of society. There are many different reasons for that: In the area of individual mobility, environmental considerations and a sense of social responsibility are increasingly playing a key role in customers' purchasing decisions. Expectations regarding the sustainable transportation of people and goods are also increasing. Attractive and future-oriented workplaces ensure that employees will be highly motivated. In the capital markets, demands towards sustainable corporate governance are increasing. Lawmakers are increasingly formulating regulations for business, and both the government and society expect business to actively engage in climate protection, the safeguarding of human rights, and many other important social issues.

### 1.2 Our six themes and three enablers



In order to have long-term success it is crucially important for us to harmonize our economic, social, and environmental responsibilities. Our sustainable business strategy demonstrates our commitment to sustainable business operations at both the Group level and in the individual business divisions. More specifically, our strategic ambitions involve the following six themes:

- **Climate protection & air quality:** We aim for our new vehicle fleet to be CO<sub>2</sub>-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.
- **Data responsibility:** We conduct sustainable data-based business operations, anticipate our customers' needs, and handle all data responsibly.
- **Human rights:** We assume responsibility for respecting and upholding human rights along our automotive value chain.

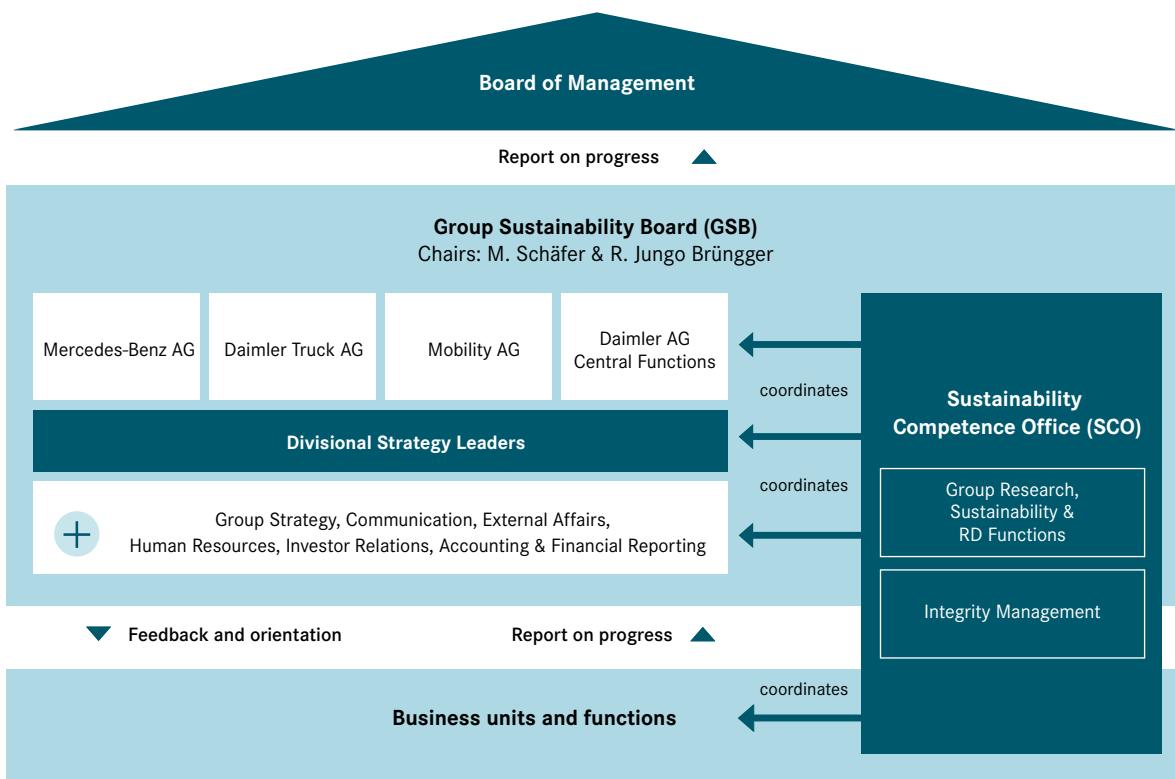
Anchoring these goals successfully and sustainably in our core business operations requires future-oriented cooperation with our partners in business, government, and society at large, as well as with our employees, who will help shape the coming transformation. Accordingly, we have defined three "enablers" 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.

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

### 1.3 Governance

GRI 102-18



## How we are managing the Group sustainably

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

Daimler AG is the parent company of the Daimler Group and its headquarters are in Stuttgart. With the new corporate structure, effective as of January 1, 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 many years, was renamed Daimler Mobility AG in July 2019. With the new structure, Daimler AG carries out the functions of steering and governance and provides services for the companies of the Group. 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.

We have used the previous structure of five divisions in our report on financial year 2019, analogously to the reports for the first three quarters of the year. The new reporting structure with three divisions will be used as of the first quarter of 2020.

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.

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

### **[Corporate Governance Report, AR 2019](#)**

In accordance with this strategy, we are pursuing our defined targets in the six areas of action and establishing a continuous improvement process.

Our management and organizational structures support this process by means of clear lines of responsibility in all business divisions. The Group Sustainability Board (GSB) is our central management body for all sustainability issues and reports to the Board of Management. The GSB is headed by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Markus Schäfer (the

Board of Management member responsible for Group Research & Mercedes-Benz Cars Chief Operating Officer). The operational work is done by the Sustainability Competence Office, which consists of representatives from the units managed by the two Co-chairs.

## Important signposts: Our policy guidelines

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.

### **[Integrity in practice – strengthening trust](#)**

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. Our employees can access a compact web-based training course about the policies, and the Group companies can receive advice on local policy management.

The ten principles of the [UN Global Compact](#) provide a fundamental guide for our business operations. As a founding member and part of the LEAD group, we are strongly committed to the UN Global Compact. Our internal principles and policies are founded on this international frame of reference and other international principles, including the Core Labor Standards of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. 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. Our goal in this process is to pursue the UN Sustainable Development Goals in our work processes and to cooperatively develop approaches to solutions.

## Group-wide risk management

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 which result from external influences. A risk is understood as the danger that events, developments or actions will prevent the Group or one of its 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 to safeguard or to surpass the planned targets of the Group or of a segment.

### **[Risk and Opportunity Report, AR 2019](#)**

## Non-financial risks and opportunities

As a company with worldwide activities, the Daimler Group is at the focus of public interest. The relevant stakeholders' perception is therefore of crucial importance and can affect the reputation of the entire Daimler Group. A key role in the public's current perception is played by the company's approach to environmental, employee and social matters, fighting corruption and bribery, and respecting human rights, and may lead to non-financial risks.

Risks arise above all in connection with the public debate about diesel vehicles and the related fundamental reconsideration of methods for measuring emissions. Due to the replacement of the [① NEDC](#) (New European Driving Cycle) with the new measuring method [① WLTP](#) (Worldwide Harmonized Light Vehicles Test Procedure), the fleet CO<sub>2</sub> average has worsened. In the light of today's knowledge, this makes it more difficult to achieve the CO<sub>2</sub> targets as of 2020. Furthermore, there has been some pressure in the past two years on diesel technology, which is important for compliance with the challenging CO<sub>2</sub> targets in the EU, because of NO<sub>x</sub> levels exceeding the limits at some measuring stations in cities. The current public focus on vehicle emissions as well as possible certifications stops and recalls jeopardize the reputation of the automotive industry and in particular of the diesel engine, and could result in damage to Daimler's reputation. With the development of a new generation of diesel engines and their systematic market launch, Daimler aims to achieve a reduction in NO<sub>x</sub> emissions in real driving conditions ([① RDE](#)). In general, legal risks – for example in connection with antitrust investigations – as well as possible legal and social violations by partners and suppliers can have a negative impact on the reputation of the entire Daimler Group. As one of the fundamental principles of business activity, Daimler places particular priority – also in the selection of partners and suppliers – on adherence to applicable laws and ethical standards.

## Monitoring and control systems

The divisions have direct responsibility for recognizing and managing business risks and opportunities at an early stage. As part of the strategy process, risks connected with planned long-term development and opportunities for continued profitable growth are identified and 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. Risks and opportunities 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, in order to support the achievement of corporate targets and to enhance risk awareness at the Group. The risk management system is integrated into the value-based management and planning system of the Daimler Group and is an integral part of the overall planning, management, and reporting process in the companies, segments, and corporate functions.

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 as a result of positive developments at an early stage, and to use them in the best possible way for the Group by taking appropriate measures. By taking advantage of opportunities, planned targets should be met or exceeded. Opportunity management considers relevant and realizable opportunities that have not yet been included in any planning.

In the context of the operational planning, risks and opportunities are identified and assessed with the use of appropriate categories for a two-year planning period. Furthermore, the discussions for the derivation of mid-term and strategic targets in the context of strategic planning also include the consideration of risks and opportunities relating to a longer period. Group Risk Management regularly reports on the identified risks and opportunities to the Board of Management and the Supervisory Board. Besides the reporting at specific times, risk and opportunity management is established as a continuous task within the Group. In addition to reporting at specific intervals, risk and opportunity management is established at the Group as a continuous process. There is an internal reporting obligation within the Group for material risks arising unexpectedly.

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.

## Evaluation and reporting channels

The organizational embedding and monitoring of risk and opportunity management takes place through the risk management organization established at the Group. In this context, the companies, organizational entities, and corporate functions report on concrete risks and opportunities to the next-highest entity at regular intervals. Through the segments, this information is passed on to Group Risk Management, which processes it and provides it to the Board of Management and the Supervisory Board as well as to the Group Risk Management Committee (GRMC). The GRMC is responsible for the continual improvement of the risk management system and for assessing its efficiency and effectiveness.

The primary responsibility for operational risk management and for the risk management processes lies with the segments, corporate functions, organizational entities and companies. Reports regarding the current risk situation and the effectiveness, functionality, and appropriateness of the internal control and risk management system are regularly presented to the Board of Management and to the Audit Committee of the Supervisory Board of Daimler AG, as well as to the Boards of Management of Mercedes-Benz AG, Daimler Truck AG, and Daimler Mobility AG. Furthermore, the risks and opportunities of business operations are regularly discussed by the

## 1.4 Exemplary instruments of our stakeholder dialog

GRI 102-21

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

responsible persons on the Board of Management of the relevant company.

## Local risk management in the area of sustainability

GRI 102-29/30/31

Local risk management plays a crucial role at our locations, especially with regard to environmental and occupational safety risks. In order to identify and address local environmental risks, we operate an Environmental Risk Management system at our Group-owned production facilities. Due diligence assessments are regularly conducted for this purpose. Every five years, the associated teams visit all of the locations and evaluate them according to predefined standardized methods. The results are reported to the plant and divisional managements, and the company annually assesses the specified improvement measures. Our environmental management systems also enable clear areas of responsibility and transparent reporting at all of our production facilities around the world. Approximately 98 percent of our employees work at locations with environmental management systems certified according to ISO 14001.

As part of our local risk management process for occupational safety risks, the Corporate Safety unit conducts safety risk management measures at our Group-owned production facilities. Together with the corporate environmental protection unit, safety engineers from Corporate Safety conduct due diligence audits at all of our production facilities at five-year intervals. These audits address the implementation of our corporate policy regarding occupational safety and health management, especially in the theme fields of safety and accident management and organization, risks arising from dangerous activities, fire and explosion

risks, risks posed by ambient conditions, and risks associated with equipment and machinery. After an audit is completed, a report is sent to the respective management body of the plant or the division. In addition, there is an annual audit of the improvement measures that have been agreed on. In 2019, approximately 100,000 employees were working at production locations with a certified management system according to ISO 45001 or OHSAS 18001. That corresponds to around 40 percent of our global workforce at production locations.

## Making dialog sustainable

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

We consider it important to engage in a continuous dialog with all of our interest groups so that we can bring together various perspectives on our involvement with sustainability issues, identify and address future trends early on, and share experiences. We also want to engage in constructive discussions of controversial themes at a very early stage. We always focus on conducting a dialog that is fruitful and productive for both sides. In order to conduct this kind of dialog, we need to identify our stakeholders. We define stakeholders as individuals and organizations that have legal, financial, ethical or ecological expectations regarding Daimler. One of the criteria for identifying and weighting stakeholders is the extent to which a person or group is affected by our company's decisions or, conversely, can influence such decisions. Our primary stakeholders are our shareholders, employees, customers, and suppliers. However, we also communicate regularly with civil groups such as [NGOs](#), as well as associations, trade unions, the media, analysts, municipalities, residents in the communities where we operate, and representatives of science and government.

## **Areas of expertise, channels, and tools**

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

### **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. The proactive dialog with our stakeholders is initiated by experts from the Integrity and Legal Affairs division and coordinated by our corporate sustainability bodies.

#### **“Daimler Sustainability Dialogue”**

One essential tool of the dialog with our stakeholders is the “Daimler Sustainability Dialogue,” which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of our Board of Management and executive management. The participants attend a range of workshops, where they discuss selected issues related to sustainability and work together to further develop them. The Daimler representatives responsible for specific themes take up the impulses generated by the discussions and work together with the stakeholders to incorporate these ideas into their work throughout the year. They then report at the following year’s event on the progress made in the interim. We held our twelfth “Daimler Sustainability Dialogue” in Stuttgart during the reporting year. The evening before the event was devoted to the topic of sustainable mobility in cities. On the main day of the event, more than 100 stakeholders together with Daimler representatives split up into seven working groups to discuss themes such as human rights, environmental protection, autonomous driving, and artificial intelligence.

#### **Daimler Sustainability Dialogue**

As a global company, we have set ourselves the goal of implementing sustainability standards at our business units and specialist units around the world. For this reason, we organize Daimler Sustainability Dialogue events in other countries and regions as well. Such international dialog events have been held in China, Japan, the United States, and Argentina. During the reporting year, more than 300 stakeholders attended the seventh

Daimler Sustainability Dialogue in Beijing, where they discussed topics such as battery recycling, smart cities, and artificial intelligence.

## **Advisory Board for Integrity and Corporate Responsibility**

The Advisory Board for Integrity and Corporate Responsibility has been an important source of input for sustainability activities at Daimler since 2012. The board’s members – external experts from the fields of science and business, as well as from civic organizations – utilize an external point of view to offer us constructive criticism and independent support in questions of 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 respective specialist units. During the reporting year, the Advisory Board also held a joint meeting with the Supervisory Board. The Advisory Board’s members have extensive expertise and possess diverse specialized knowledge regarding environmental and social policy, various human rights and ethical issues, and the development of transport and mobility. During the reporting year, the Advisory Board focused in particular on the further development of the sustainable business strategy.

#### **➤ The Advisory Board for Integrity and Corporate Responsibility**

## **Memberships**

GRI 102-12/-13

We also maintain regular contact with representatives of civic organizations and other companies. In addition to the dialogs we initiate, we also participate in various associations, committees, and sustainability initiatives. Some of the most important initiatives here are the UN Global Compact, econsense – a German Business Forum for Sustainable Development, and the World Business Council for Sustainable Development.

#### **➤ Overview of our most important memberships**

## **Media and committee work**

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

## 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 example of such a result is the Urban Mobility Platform, an initiative launched by nine automotive industry companies and nine German cities. The platform was created in order to establish a continuous process of dialog and cooperation between cities and the automotive industry regarding the design of future mobility systems for urban areas. Daimler is a founding member of this initiative, and it actively participates in its pilot projects.

## Sustainable supply chain management

GRI 102-9/-10

Daimler's sustainable business strategy applies to our value chain and thus also to the purchase of production materials and the procurement of services. Our vehicles generally contain several thousand parts and components. Accordingly, our supply chain is complex. It comprises approximately 60,000 direct suppliers, especially from the regions Europe, North America, and Asia. And with every innovation and every market development, it dynamically evolves – as has happened during the reporting period. We use a variety of measures and concepts for the sustainable management of our supply chain. That includes the screening of our suppliers, risk-based due diligence analyses, and sustainability training courses for suppliers. Through these measures we aim to enforce compliance with social standards and environmental requirements and to achieve greater transparency in the supply chain.

Sustainable supply chain management offers us many opportunities. It enables us to reinforce our stakeholders' trust in Daimler as a partner and helps us to establish good business practices in markets all over the world. This benefits the sustainable development of society and the conservation of valuable natural resources.

## How we manage sustainability in our supply chain

GRI 308-1

Our three procurement units – Mercedes-Benz Cars Procurement and Supplier Quality, Global Procurement Trucks and Buses, and International Procurement Services – have been jointly responsible for the Group-wide Daimler Supplier Network cooperation model since 2009. These units work together to ensure responsible procurement of materials and services and the implementation of the Daimler Supplier Sustainability Standards in the supply chain. Our Supplier Sustainability Standards define

our requirements for working conditions, upholding human rights, environmental protection, safety, business ethics, and compliance. They also serve as the guidelines for our sustainable supply chain management system. We demand that our direct suppliers commit themselves to observing our sustainability standards, communicating them to their employees and to their upstream value chains, and then checking to ensure that the standards are complied with. For this process, Mercedes-Benz Cars has developed a blockchain prototype that transparently represents the transmission of this information along the entire supply chain and makes it possible to trace it. This prototype is being followed by a further blockchain pilot project in 2020. We support our suppliers' implementation of information and qualification measures. Our service providers also explicitly recognize these standards as a contractual component of their supplier agreements.

Compliance with the standards is systematically reviewed. For example, the procurement units of Mercedes-Benz Cars and Daimler Trucks & Buses examine new production material suppliers in the course of their on-site assessments, also with regard to sustainability issues. Such examinations are even more thorough in high-risk countries. If there are any doubts regarding the sustainability performance of a new supplier, the responsible team initiates a deeper review. In critical cases we discuss the results of the analyses in management committees and take them into account in decisions on whether to award a contract.

Along with the assessment of new suppliers, we also examine sustainability risks at our existing direct suppliers as part of our regular risk assessments. Among other things, we conduct annual database research to identify any violations of our sustainability and compliance rules by our current suppliers. This is part of our supplier screening process. Mercedes-Benz Cars also conducts corporate social responsibility (CSR) audits and potential analysis of new suppliers. In 2019 Daimler conducted 1,127 on-site audits and assessments.

We systematically follow up reports of violations. In case of anomalies discovered for example during audits or database research, we conduct further reviews and supplier surveys. Mercedes-Benz Cars does this by means of an online questionnaire. These surveys require suppliers to provide information about their sustainability management system and the measures they take to ensure that their own suppliers comply with sustainability standards. If the results of such surveys indicate insufficient sustainability performance, we instruct the supplier in question to improve the relevant processes.

### Compliance management: Complying with laws and regulations

In order to ensure an effective and 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 initiative "Drive Sustainability".

## Supplier development within a partnership

Our company's success depends in large part on our close and trust-based cooperation with our suppliers all over the world. We not only define our requirements and conduct targeted reviews but also actively support our suppliers' implementation of our sustainability standards.

## Dialog and qualification measures

A shared understanding of sustainability and comprehensive know-how regarding implementation are basic requirements for successful sustainability management in the supply chain. For this reason, we have been organizing supplier training courses in cooperation with other vehicle manufacturers for many years now.

In 2019 we held training courses for suppliers in the focus countries Brazil, Malaysia, and South Africa in cooperation with "Drive Sustainability". A total of 208 suppliers benefited from the group training courses. In addition, we assisted the "econsense – Forum Nachhaltige Entwicklung der Deutschen Wirtschaft e. V." sustainability network by supporting the establishment of a platform for further sustainability workshops for suppliers. Suppliers from the focus countries can use this platform to select and book the appropriate workshops from an array that is openly accessible.

Our Daimler Supplier Portal offers existing and potential suppliers a free e-learning program on compliance awareness that enables suppliers to obtain detailed information at any time on sustainability standards and their implementation.

## Involvement in associations and sustainability initiatives

We have been involved for a long time in various sector and industrial associations, such as the German Association of the Automotive Industry (VDA) and econsense – German Business Forum for Sustainable Development. These memberships help us to improve sustainability in complex supply chains by jointly implementing the necessary measures.

In addition, we work together with many organizations that aim to promote the sustainable development of supply chains in a targeted manner. These include the European sector initiative of the automotive industry, "Drive Sustainability," in which we are a lead partner. Through Drive Sustainability, we support the Global Platform for Sustainable Natural Rubber initiative.

The "Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain" play an important role here. These principles establish globally recognized minimum social and environmental standards for automotive companies and suppliers.

Furthermore, we are promoting the practical implementation of a sustainable supply chain for raw materials. In this connection we are active in the Responsible Minerals Initiative, the Responsible Steel Initiative, and the Aluminium Stewardship Initiative. These initiatives act as platforms that enable cooperation with relevant stakeholders and make available sophisticated instruments for certifying the safe origin of materials such as cobalt, steel, and aluminum.

You can find specific information about our activities regarding social concerns related to the supply chain in the chapter on

### [Human rights](#).

Details about the management of environmental aspects in the supply chain can be found in the chapters

### [Resource conservation](#) and [Climate protection & air quality](#).

## CLIMATE PROTECTION &amp; AIR QUALITY

# Reducing the emissions of our vehicles

On the road to emission-free mobility – we at Daimler are working hard to make this vision a reality – for example, by continuing to expand our products and services in the area of e-mobility and reduce the CO<sub>2</sub> emissions of our vehicles.

## New standards for climate protection and air quality

GRI 103-1

The Paris Agreement on climate protection has the aim of limiting global warming to significantly less than two degrees Celsius compared with the preindustrial level. Achieving this goal will require the establishment of more stringent climate protection targets for all countries and all sectors, particularly with regard to CO<sub>2</sub> emissions. The transportation sector as well must significantly reduce its CO<sub>2</sub> footprint in the years ahead. For example, the climate protection plan of the German government requires the transportation sector to reduce its greenhouse gas emissions by 40 to 42 percent by 2030 compared to the levels of 1990. The legal requirements for Europe as a whole are similar. They call for a 37.5 percent decrease for cars and a 31 percent decrease for vans by 2030 compared to 2021; car and van emissions should have decreased by 15 percent by 2025. For heavy-duty commercial vehicles, a 30 percent reduction by 2030 will be needed. A new average target value of 95 g CO<sub>2</sub>/km went into effect in 2020 for the entire fleet of new cars in the EU. Because the limit value is calculated on the basis of the average vehicle weight of a fleet, and because the cars from Mercedes-Benz AG are heavier than average, the limit value for them will probably be not 95 g/km but 107 g/km. We can only reach this target value if we put a large enough number of all-electric vehicles or [i plug-in hybrids](#) on the road.

The average of the CO<sub>2</sub> emissions of our newly registered vehicles has decreased substantially since 1990. This applies especially to passenger cars. At the same time, more vehicles are on the road today than ever before. For this reason, the absolute emission volumes of cars, and also of vans and heavy-duty trucks, have hardly decreased at all. If the sales figures for conventionally powered new vehicles and their driving performance remain at the current level in the future, it will probably be impossible to fulfill the legal requirements. This is why electric drive systems will play an increasingly important role in the future. With the electrification of drive systems, part of the CO<sub>2</sub> emissions in the vehicles' life cycle will be shifted from the use phase to the production phase. However, the emissions in the use phase are rapidly decreasing – or are even being reduced to zero. As a result, the CO<sub>2</sub> emissions over the vehicles' entire life cycle are decreasing.

In addition to climate protection, the improvement of inner-city air quality in the future is an important environmental consideration for us. That is because road traffic still accounts for a

considerable share of [i nitrogen dioxide pollution \(NO<sub>2</sub>\)](#) near roads. That is why we comply with the global emissions standards for pollutant emissions such as NO<sub>x</sub>. These emissions limit values have been made increasingly more restrictive over the past few years. In order to fulfill these and possible future requirements, we are continuing to develop our technologies.

## How we are decreasing the emissions of our vehicles

GRI 103-2

In our sustainable business strategy we have set ourselves the overall goal of making the mobility of the future more sustainable. One component of our approach involves reducing the CO<sub>2</sub> emissions of our vehicles along the entire value chain. In our "Ambition 2039" we have set ourselves the target of making our fleet of new passenger cars CO<sub>2</sub>-neutral over the vehicles' entire life cycle by 2039. Daimler Trucks & Buses aims to offer only new vehicles that are [i CO<sub>2</sub>-neutral](#) in driving operation [i \("tank-to-wheel"\)](#) in the triad markets of Europe, Japan, and NAFTA by 2039. Mercedes-Benz Vans is following the Mercedes-Benz Car strategy in its vans for private use and the strategy of Daimler Trucks & Buses for its commercial-vehicle vans.

Mercedes-Benz AG has had its climate protection measures scientifically confirmed by the [i Science Based Targets Initiative \(SBTi\)](#). By means of these targets, the company is supporting the Paris Agreement on climate protection.

In the environmental and energy guidelines we adopted in 2013, we resolved to develop products that are especially environmentally friendly and energy-efficient in their respective market segments.

## Focusing on emissions from the very start

A vehicle's environmental impact is largely determined during the first phases of its development – and that includes its emissions of CO<sub>2</sub> and pollutants. For example, the earlier in the car development process we take environmental aspects into account, the more efficiently we can minimize the environmental impacts of our vehicles. We do this by means of our "[i Design for Environment](#)" approach – in other words, through environmentally friendly product development. In order to continuously improve environmental compatibility, these requirements are incorporated into our [i product performance specifications](#) for cars. These specifications define specific characteristics and target values – for example for fuel consumption, CO<sub>2</sub> emissions

or limit values for NO<sub>x</sub> – that must be achieved for every vehicle model and every engine variant.

In every area of combustion engine development, there are also internal development target values for vehicle emissions. These take into account all of the legal requirements, such as the new limit values for NO<sub>x</sub> and the CO<sub>2</sub> reduction targets of the EU for the period starting in 2020. In addition, we strive to achieve the lowest possible emissions in long-term operation under real conditions.

During the development process, we regularly monitor compliance with our internal development targets and the requirements contained in the product performance specifications. On the Energy Efficiency Board (EEB), which includes Board of Management participation, the managers responsible for each vehicle model series evaluate the results of this monitoring process. If corrective actions are required, the managing body of the respective business division is included in the decision-making process.

The exact level of the CO<sub>2</sub> emissions of individual vehicles is determined within the framework of the fuel-economy certification process. In Europe this is done under the supervision of an external expert. On the basis of the individual values, we calculate the CO<sub>2</sub> emissions of the entire fleet and have this result checked by an external auditor. In the United States the certification is handled by the car manufacturer itself. The responsible authority, the Environmental Protection Agency, monitors compliance with the requirements by conducting measurements on vehicles in the field or vehicles that we make available. These vehicles, which are somewhat older, provide a realistic picture of the overall emission situation.

## Towards emission-free mobility

Our “Road to Emission-free Driving” initiative defines the primary focal points for developing new and sustainable drive technologies at all of our automotive business divisions. It encompasses the following measures:

- The further development of our vehicles equipped with state-of-the-art combustion engines in order to achieve significant reductions in consumption and emissions,
- Further increases in efficiency through hybridization, and
- Electric vehicles with battery and fuel cell drive systems.

We are also actively involved in the research and testing of alternative fuels. Our fuel roadmap for Mercedes-Benz Cars & Vans points the way toward the optimization of today's fossil fuels and the use of synthetic fuels, as well as hydrogen and electricity generated from renewable sources.

We are closely watching the market, and we generally welcome the development work that is being done in the area of fuel production from green energy and various sources of CO<sub>2</sub>. After all, according to the initial scientific investigations, [i e-fuels](#) offer the potential for reducing greenhouse gases from a [i well-to-wheel](#) perspective.

## Responsibility for more environmentally friendly vehicles

Our Group management is responsible for setting our strategic goals. In addition, two members of the Board of Management participate in meetings of our Energy Efficiency Board (EEB) (formerly known as the CO<sub>2</sub> Steering Committee). The EEB meets approximately five times a year. Its responsibilities include observing the development of [i CO<sub>2</sub> fleet values](#) in the markets that are regulated in this regard and providing forecasts. In their evaluations, the managers take into account the increasing

### 2.1 Our fuel roadmap



#### Based on crude oil

Improved conventional fuels: sulfur-free, low aromatic content



#### Based on natural gas

Hydrogen\*  
Compressed natural gas (CNG)  
Gas-to-liquid (GTL)\*\*



#### Based on biomass

**1st-generation biofuels:**  
Biodiesel, bioethanol

▼  
**2nd-generation biofuels:**  
BTL, natural gas, hydrogenated vegetable oils, biodiesel, bioethanol



#### Based on renewable energy

Hydrogen from renewable sources of electricity



#### Reduction in CO<sub>2</sub> and airborne emissions

\* Via steam reforming

\*\* WtW CO<sub>2</sub> emissions comparable to diesel fuel

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](#). At its meetings, the EEB discusses measures that are necessary, and the Board of Management subsequently makes the relevant decisions.

Responsibility for ensuring compliance with climate protection and air quality requirements is split between several units and Board of Management members. At the vehicle level, the development departments in the vehicle business divisions are responsible for ensuring such compliance. For cars and vans, these are the “Drive Systems Product Group” development unit and the product groups of cars, trucks, and buses in the “Global Powertrain & Manufacturing Engineering Trucks” unit. The various directorates of the [drivetrain development](#) units 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.

## Climate protection: Our CO<sub>2</sub> emissions – in all of our fleets

GRI 305-1/-2

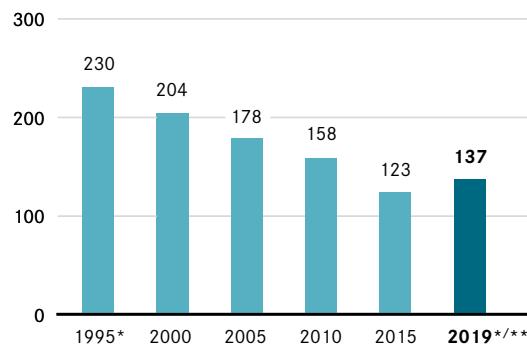
### CO<sub>2</sub> emissions of our cars

For the year under review, it is expected that the average CO<sub>2</sub> emissions of our total passenger car fleet in Europe (EU28 + Iceland, Norway) will have increased to 137 g/km ([NEDC](#), including vans registered as passenger cars (M1), Mercedes-Benz Cars: 135 g/km). This means that we were unable to reduce our CO<sub>2</sub> emissions from the prior-year level. There were several reasons for this development. The first involves the shift of sales from vehicles with diesel engines to cars powered by gasoline engines. Secondly, 2019 was the first year in which the rollout of the [WLTP](#) certification process had its full impact. We intend to achieve our objective of reducing our CO<sub>2</sub> emissions for 2020 and thus continue to conform to the currently valid EU limit values by means of a planned expansion of our portfolio to include further electric vehicle models and accommodate customer demand.

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. Our target was to reduce the CO<sub>2</sub> emissions of our passenger cars and light-duty trucks on the US market by approximately 25 percent up to and including the model year 2019 as compared to 2012, which is the base year for the currently valid GHG regulations. The GHG fleet figures for the CO<sub>2</sub> emissions of Daimler vehicles in the United States have improved by 10 percent for passenger cars and by 16 percent for light-duty commercial vehicles over the last seven years (on the basis of the preliminary report on the 2019 model year). As a result, we have only partially achieved our goal. However, we were able to close the remaining gap by taking advantage of the flexibility measures in the regulation (including the purchase of external credits).

### 2.2 Development of average CO<sub>2</sub> emissions of the Mercedes-Benz Cars fleet

CO<sub>2</sub> emissions according to the New European Driving Cycle (NEDC) in g/km

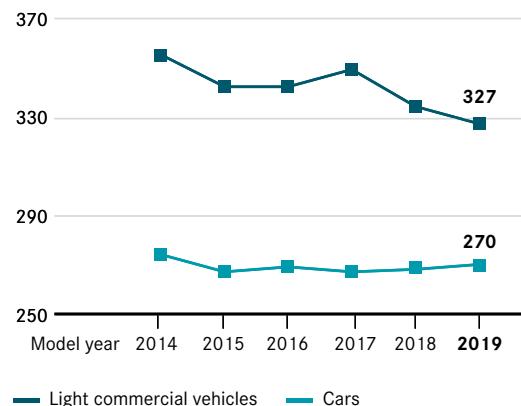


\* Including vans registered as M1 vehicles – all other years without transporters

\*\* Projection

### 2.3 Daimler CAFE values for cars and light commercial vehicles in the United States

in g CO<sub>2</sub>/mile



In China, domestic and imported cars are reported separately, but the two fleets can be set off against one another. The respective target is calculated according to the vehicle weights. The fuel efficiency target for the Daimler domestic fleet (BBAC) in 2019 was 6.3 l/100 km, and the actual value achieved was 6.7 l/100 km. The target for imported vehicles (MBCL) was 6.8 l/100 km, and 8.1 l/100 km was achieved (all of these figures were calculated on the basis of the provisional report for 2019). With regard to the fleet as a whole, this corresponds to a 25 percent reduction of the average fleet consumption compared to the figure for 2012. External credits were purchased at short notice in order to close consumption gaps in the fleet's achievement of the target. We aim to reach our goal in China in

the medium term on our own by ramping up our production of all-electric vehicles and plug-in hybrids.

Legal limits on the fuel consumption and/or CO<sub>2</sub> emissions of car 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 Canada, Japan, South Korea, Brazil, Taiwan, India, and Saudi Arabia. We make every effort to comply with the legal limits in all of these markets.

### CO<sub>2</sub> emissions of our vans

According to EU directive 510/2011, since 2017 the average emissions of vans with a curb weight of up to 3.5 tons may not exceed 175 g CO<sub>2</sub>/km. As of 2020, the CO<sub>2</sub> level will drop to 147 g CO<sub>2</sub>/km. Taking into account vehicle weight, Mercedes-Benz vans had to comply with a maximum CO<sub>2</sub> fleet level of 213 g CO<sub>2</sub>/km in 2019. However, our van fleet has already been below that level since 2014. The projected fleet level for Mercedes-Benz vans for 2019 is expected to be 189 g CO<sub>2</sub>/km. We expect to achieve a further reduction to 187 g CO<sub>2</sub>/km in 2020, thus reaching the weight-specific CO<sub>2</sub> target. Although the fuel consumption figures for several models are increasing slightly as a result of the introduction of the new [WLTP](#) testing procedure, this increase is expected to be offset by the introduction of new fuel-efficient engines, as well as our electric eVito and eSprinter models.

### CO<sub>2</sub> emissions of our heavy-duty trucks in North America

In 2019 Daimler Trucks North America achieved a 33.5 percent reduction of fuel consumption compared to the base value of 2005 for the market in long-distance tractor-trailers. This achievement was demonstrated on the highways by our reference vehicle, the latest Cascadia model with all of the optional aerodynamics packages.

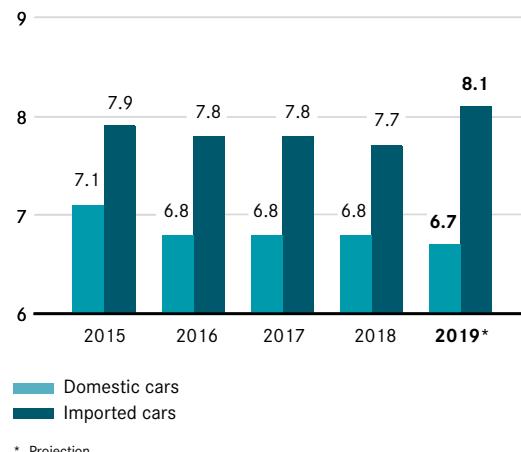
In 2018 we were able to achieve 80 percent of our goal of reducing the fuel consumption of our entire fleet in the EU by an average of 20 percent between 2005 and 2020. These reduction values were calculated on standard real-world proving grounds. In 2019 the legislators introduced [VECTO](#), a new measurement and simulation process for determining the fuel consumption and CO<sub>2</sub> emissions of heavy-duty commercial vehicles in Europe. We revised the way we represent the fuel consumption of our truck fleet in this system, and in the past year we were able to once again reduce fuel consumption.

### Fuel consumption of our buses in Europe

We have achieved 90 percent of our target of a 20 percent reduction in the fuel consumption of our coaches and city buses over 18 tons GVW for the period 2005–2020 for coaches and 100 percent of the same target for city buses. The introduction of the Citaro Compact Hybrid played a major role in the latter achievement.

### 2.4 Fuel consumption of the Daimler car fleet in China

in l/100 km



### Scope 1, 2, and 3 emissions

GRI 305-3

Most of our CO<sub>2</sub> emissions are generated during the use phase of the vehicles. However, other phases of the vehicle life cycle also generate CO<sub>2</sub> emissions. In order to calculate the entire CO<sub>2</sub> balance, we rely on the basic principles of the [Greenhouse Gas Protocol](#), and we publicly disclose information about our emissions according to this standard.

In line with the standard, we differentiate between three categories of CO<sub>2</sub> emissions called scopes. [Scope 1](#) comprises emissions such as ones caused on our factory grounds by the combustion of energy carriers, for example through the generation of electricity by our own power plants. [Scope 2](#) includes all emissions that are generated outside our factory grounds due to the generation of energy purchased from external sources, such as electricity from a local utility. Finally, [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<sub>2</sub> 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.

If we look at the entire life cycle of the average Mercedes-Benz Cars fleet (worldwide), we arrive at an average CO<sub>2</sub> value of 48.9 t per vehicle for the year 2019 (see Chart 2.6).

## Climate protection: Targets and measures for more climate-friendly vehicles

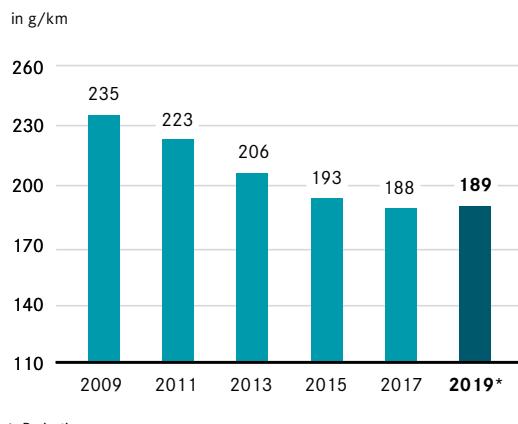
GRI 103-2

In order to decrease our emissions further, we are switching our entire product portfolio to the latest engine generations and expanding our range of plug-in hybrids and all-electric vehicles. We are developing electric model variants for all of our vehicle models – from cars and vans to trucks and buses. We are making it possible for our customers to take advantage of user-friendly electric mobility services, and we are also participating in the expansion of the battery-charging infrastructure.

### Decreasing residual brake torque and reducing fuel consumption

Technical alterations to a car's braking system can decrease residual brake torque and thus reduce its fuel consumption. The residual brake torque is the continuous slight abrasion between the brake linings and the brake disc. Extensive in-house investigations have shown that it is possible to reduce this abrasion. This effect was analyzed in detail and countermeasures were developed. In 2019 we implemented technical solutions in series-produced cars, thus making a major step forward. According to a sample calculation, improvements of 5 g CO<sub>2</sub>/km in one million produced vehicles can reduce emissions under real-life driving conditions at an average mileage of 100,000 kilometers by a total of 500,000 tons. At the same time, these technical adaptations make it possible to slightly reduce the wear on the brake linings and the brake discs.

### 2.5 Development of average CO<sub>2</sub> emissions of the Mercedes-Benz van fleet in Europe

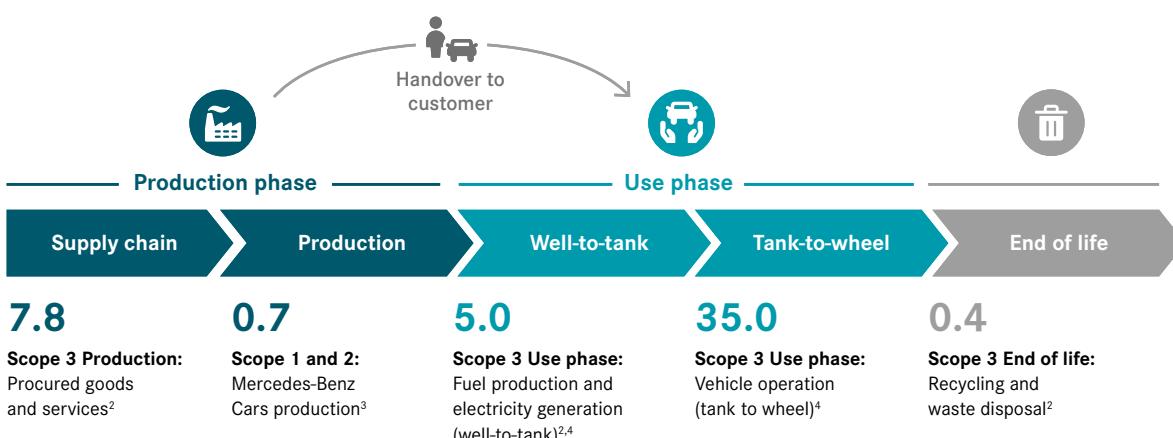


### Lower CO<sub>2</sub> emissions thanks to efficient transmissions

During the reporting period, we developed an especially efficient eight-gear dual-clutch transmission for the new family of Mercedes-Benz compact cars. Thanks solely to numerous measures for reducing the mechanical and electrical losses in the transmissions, the emissions could be reduced by 5.2 g CO<sub>2</sub>/km compared to the transmissions of previous models (in comparable vehicles). Besides, the use of lightweight plastics in particular reduced the vehicles' weight by about 3 kg, in spite of

### 2.6 Scope 1, 2 and selected Scope 3 emissions in tons per vehicle Mercedes-Benz Cars (2019)<sup>1</sup>

GRI 305-3



1 For calculation basis see appendix [How we calculate and document our CO<sub>2</sub> emissions](#)

2 See [life cycle assessment of vehicles](#)

3 See [key figures environment](#)

4 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<sub>2</sub> emissions – in all of our fleets](#)

## 2.7 Drive technologies from Daimler

Share in percent*	Vehicles with			Cars with		
	gasoline engine	hybrid drive systems	diesel engine	gas engines (natural gas/LPG)	hybrid drive systems	electric drives
Europa	38.0%	1.4%	59.0%			
NAFTA	58.7%	0.6%	40.6%			
Japan	37.0%	0.2%	62.7%		0.0%	1.4%
China	88.8%	0.1%	11.0%			0.9%
Total (world)	54.4%	0.9%	44.0%			

\* Based on unit sales of vehicles in the respective markets in 2019

an additional gear and higher maximum torque. And because of the modular construction, it is also possible to supplement the transmission with a [1 hybrid drive unit](#). As a result, it is possible to have a plug-in hybrid drivetrain with even lower fuel consumption (A 250 e compact sedan: fuel consumption combined: 1.5-1.4 l/100 km; power consumption combined: 15.0-14.8 kWh/100 km; CO<sub>2</sub> emissions combined: 34-33 g/km)<sup>1</sup>.

### Ambition, targets, and measures at Mercedes-Benz Cars & Vans

As part of our sustainable business strategy, we have set ourselves the following goals for Mercedes-Benz Cars & Vans:

- CO<sub>2</sub> neutrality for our new car fleet by 2039: This applies to all the stages of the value chain – from the supply chain to production, the vehicle use phase, and vehicle disposal and recycling.
- Our goal is to have plug-in hybrids or all-electric vehicles account for more than 50 percent of our car sales by 2030. We want to electrify the entire portfolio of Mercedes-Benz Cars by 2022. This means that we plan to offer various electric alternatives to our customers in every segment, ranging from smarts to large SUVs. By 2025, we expect all-electric models to account for up to 25 percent of all the cars we sell.
- At Mercedes-Benz Vans we have set ourselves the goal of making our vans for private use CO<sub>2</sub>-neutral for their entire life cycle by 2039. For commercially used vans, the goal is to offer only new vehicles that are CO<sub>2</sub>-neutral in driving operation (“tank-to-wheel”) in the triad markets of Europe, Japan, and NAFTA.
- At Mercedes-Benz Cars & Vans we are striving to reduce the absolute Scope 1 and 2 emissions by 50 percent by 2030 compared to the reference year 2018. In addition, we plan to reduce the Scope 3 emissions from the use phase of our Mercedes-Benz cars and vans by 42 percent per vehicle-kilometer by 2030 compared with 2018. These targets were confirmed by the [1 Science Based Targets Initiative](#).

Mercedes-Benz Cars is planning to launch more than ten all-electric cars on the market by 2025 – in all segments, from the smart to the SUVs. We are investing about €10 billion in expanding our fleet of electric vehicles and more than €1 billion

in expanding battery production, and we are buying battery cells for more than €20 billion in order to systematically promote our Group's entry into an electrically driven future. In our car portfolio we already have 15 models that are either all-electric or electrified with at least a plug-in hybrid drive system.

### Cars

#### EQ – our brand for electric mobility

Under our new [1 EQ brand](#), which stands for “Electric Intelligence,” we offer vehicles and services connected with electric mobility. Together with partners, we are investing in the establishment of a charging infrastructure on major highways in Europe. We have designed our production network in a manner that allows us to manufacture our electric vehicles on the same production lines as the corresponding models with combustion engines at all of our key manufacturing locations. This ensures that we can react with sufficient flexibility to the demand for electric vehicles. Parallel to vehicle production, we are also expanding the production of batteries.

#### EQC – the first model of the EQ series

The all-electric Mercedes-Benz EQC (EQC 400 4MATIC: Electric power consumption (combined, acc. to [1 NEDC](#)): 21.3-20.2 kWh/100 km; CO<sub>2</sub> emissions combined: 0g/km)<sup>1</sup> was presented in Stockholm in 2018 and delivered to customers for the first time in 2019. Thanks to its intelligent operation strategy, it has an electric range (acc. to NEDC) from 429-454 km. One reason for this is that unlike many other electric vehicles, the EQC charges its batteries during driving as well. In order to take full advantage of its emission-free electric drive system, the EQC has a completely new drive system with intelligent control. In addition, connected services and functions make this vehicle easier to drive. For example, drivers can plan their future trips in advance – from the office or the living room – and receive an intelligently planned route, including charging stops and the time of arrival.

#### VISION EQS – e-mobility in the luxury segment

Mercedes-Benz presented the VISION EQS show car at the International Motor Show in Frankfurt (IAA – September 12

<sup>1</sup> see appendix: labeling

to 22, 2019). Sustainability is becoming a key component of Mercedes-Benz's brand philosophy and a crucial aspect of its sustainable business strategy. The VISION EQS already fulfills these criteria today and offers a preview of the large electric luxury sedans of the future. Thanks to an intelligent operation strategy, the EQS has a comfortable range of up to 700 kilometers ([i WLTP](#)). With an assumed charging capacity of 350 kW, the battery can be recharged to 80 percent capacity in significantly less than 20 minutes.

#### **EQV – our all-electric van**

At the IAA 2019 we also presented the EQV (electric power consumption combined: 26.4–26.3 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup>, one of the world's first full-size MPVs with a purely battery-electric drive system. The EQV is especially suited for private customers who want to drive long distances in their own vehicles, for example on vacations. The lithium-ion battery with a usable capacity of 90 kWh gives the EQV a range of 417 kilometers<sup>1</sup>.

#### **GLC F-CELL – an intelligent combination**

##### **of a battery and a fuel cell**

The GLC F-CELL is another all-electric vehicle (hydrogen consumption combined: 0.91 kg/100 km; power consumption combined: 18 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup>. We have been delivering this SUV to customers since the end of 2018. It can also be "filled up" with electricity as well as hydrogen, because it is equipped with a lithium-ion battery in addition to its fuel cell. The intelligent interplay between the battery and the fuel cell makes the GLC F-CELL a dynamic and practical vehicle for long-distance travel. With 4.4 kilograms of hydrogen on board, the SUV produces enough energy to achieve a range of up to 400 kilometers<sup>1</sup> in hybrid mode (NEDC). The large lithium-ion battery alone provides a range of up to 50 kilometers (NEDC).

#### **smart EQ models – all-electric in the near future**

Beginning in 2020, all smart models will be offered exclusively as EQ models with an all-electric drive system. With the new smart EQ control app, the smart makes access to electric mobility easier. The smart EQ fortwo (power consumption combined: 15.7–13.9 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup> and the smart EQ forfour (power consumption combined: 16.4–14.5 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup> feature an optimized charging technology as well as a new app for electric mobility. The app contains much information about the car, such as the current state of charge, and enables the driver to control vehicle functions such as auxiliary climate control and charge management. All of these functions are presented in a customized manner. Another new feature is the 22 kW onboard charger with a fast-charge function.

#### **EQ Power – available for the A- and B-Class for the first time**

Plug-in hybrids are an important milestone on the road to emission-free driving. Under the label EQ Power, Mercedes-Benz Cars is systematically forging ahead with the development of its plug-in hybrid vehicles. Three compact-family models

equipped with the third-generation hybrid drive system have now been unveiled: the A 250 e (fuel consumption combined: 1.5–1.4 l/100 km; electric power consumption combined: 15.0–14.8 kWh/100 km; CO<sub>2</sub> emissions combined: 34–33 g/km f)<sup>1</sup>, the A 250 e sedan (fuel consumption combined: 1.4 l/100 km; electric power consumption combined: 14.8–14.7 kWh/100 km; CO<sub>2</sub> emissions combined: 33–32 g/km)<sup>1</sup>, and the B 250 e (fuel consumption combined: 1.6–1.4 l/100 km; electric power consumption combined: 15.4–14.7 kWh/100 km; CO<sub>2</sub> emissions combined: 36–32 g/km)<sup>1</sup>.

#### **Vans for commercial use**

In the years ahead, we aim for our commercial vans, such as urban delivery vans, to also be electrified. Mercedes-Benz Vans is planning to offer all of its commercial van model series with electric drive systems. Today our electric vans are already being used by a wide range of customers, such as the Hermes parcel delivery service. In addition to the vehicles themselves, Mercedes-Benz Vans also offers a holistic electric mobility ecosystem for commercial users.

#### **eVito – all-electric panel van and tourer model**

For about a year now, the all-electric eVito has been on the market in two versions – as a panel van for goods transport (power consumption combined: 24.9–20.5 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup> and as a tourer model with up to nine seats for transporting passengers (power consumption combined: 26.2 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup>. The panel van offers a range of 150–184 km (NEDC) and an [i onboard charger](#) with a capacity of 7.4 kWh; the tourer has a range of 421 kilometers. The range can be expanded by charging the battery with braking energy (recuperation). The [i degree of recuperation](#) can be set at four different levels. In addition, the driver can choose between three different drive programs that enable either a very efficient and economical driving style or the greatest possible degree of comfort.

#### **Project "Polarfuchs" ("Arctic Fox")**

In cooperation with customers from the online food trade and the refrigeration unit specialist Kerstner we have developed a vehicle concept (eVito)<sup>1</sup> for the emission-free delivery of actively refrigerated food in urban areas. The technical concept of the "Arctic Fox" is an excellent example of customer co-creation. It is based on the idea of using the electrical energy available in the eVito for active cooling purposes. This is done by connecting the especially energy-efficient C106EA refrigeration system from Kerstner to the VAN on-board electrical system, which makes it possible to minimize the support battery that is needed as a buffer. As a result, food can be delivered in locally emission-free vehicles and there is no need for additional one-way cooling pads or dry ice. The Arctic Fox demonstrated its suitability for daily use in a four-week pilot project in Belgium in September 2019. While making as many as 50 deliveries per tour, the Arctic Fox could reliably maintain the cool temperatures in its cargo area (for fresh-food service), thus successfully fulfilling the requirements for its urban application.

<sup>1</sup> see appendix: labeling

### eSprinter – a panel van with two battery options

The eSprinter, a 3.5-ton panel van with a cargo volume of up to 11 m<sup>3</sup>, was introduced on the German market at the end of 2019. It is available in two battery configurations. As a result, our customers can choose between a wider range (a range of 168 km with a payload of 891 kg) and a heavier payload (a range of 120 km with a payload of 1,045 kg). (The ranges were calculated on the basis of Commission Regulation 692/2008/EC.) Like the eVito<sup>1</sup>, the eSprinter offers various levels of recuperation and a selection of drive programs. The direct-current fast-charge function of the eSprinter can charge the battery, which has a capacity of up to 80 kW, from 10 to 80 percent within 30 minutes.

### The eDrive@VANs ecosystem

We support our commercial customers with comprehensive and transparent advice in the area of electric mobility. One example of that is the eVan Ready app, which enables interested parties to check whether they could also use one of our electric vans to drive their normal routes. 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 as well as large or small fleets.

### Ambition, targets, and measures at Daimler Trucks & Buses

At Daimler Trucks & Buses, we decided on the following aims in 2019:

- We aim to offer only new vehicles that are CO<sub>2</sub>-neutral in driving operation (“tank-to-wheel”) in the triad of Europe, Japan, and [① NAFTA](#) by 2039.
- 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 by 2022.
- In the second half of the decade, we plan to augment our vehicle portfolio with hydrogen-driven production vehicles.
- Our ultimate goal is to achieve CO<sub>2</sub>-neutral transport on the road by 2050.

Daimler Trucks & Buses, which is one of the world’s leading manufacturers of commercial vehicles, is pursuing a sustainable corporate strategy. We are firmly committed to the goals of the Paris Agreement on climate protection, and thus to the decarbonization of our sector.

### Trucks

Daimler Trucks committed itself early on to systematically develop electric mobility in connection with heavy-duty trucks. According to the latest research, genuinely local CO<sub>2</sub>-neutral transportation can work only with electric drive systems powered by batteries or by the transformation of hydrogen on board the commercial vehicle.

### eCanter

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 140 eCanter trucks are already being used by customers in cities all over the world including New York, Tokyo, Berlin, London, Amsterdam, Paris, and Lisbon.

### eActros

Mercedes-Benz eActros heavy-duty electric trucks, which have a range of up to 200 km, are undergoing intense daily use by customers in Germany and Switzerland as part of the eActros “innovation fleet.” The first eActros was handed over to a customer in 2018.

### eCascadia

The medium-duty Freightliner eM2 and the heavy-duty Freightliner eCascadia are also currently undergoing intense practical testing by customers in the United States.

Along with battery-electric drives, we are also focusing on fuel cells, as the two drive technologies ideally complement each other. 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 diesel-powered vehicles even in 2040. As a result, government intervention will be necessary to make locally CO<sub>2</sub>-neutral trucks competitive – in other words, to compensate for their cost-related disadvantages. Only then is it likely that customers will invest in CO<sub>2</sub>-neutral trucks. A Europe-wide restructuring of the highway toll system with a sliding scale for different CO<sub>2</sub> values that would charge CO<sub>2</sub>-neutral vehicles significantly lower tolls is necessary. Also needed is a targeted support program and a comprehensive charging and hydrogen infrastructure, as well as uniform standards for hydrogen transportation and hydrogen refueling.

The E-Mobility Group has been combining the worldwide know-how of Daimler Trucks & Buses in the area of e-mobility and defining a cross-brand and cross-segment strategy for electric components and products since 2018. Analogously to the global platform strategy for conventional vehicles, the E-Mobility Group is developing a uniform worldwide [① electrical architecture](#). This maximizes the use of synergies and optimizes the application of investments. At the same time, the E-Mobility Group is offering customers a comprehensive range of advice with a focus on the overall ecosystem. The goal is to make electric mobility economical in terms of the total cost of ownership, or TCO.

### Buses

Daimler Buses is also focusing on the development of electric drive systems. Buses already have a favorable CO<sub>2</sub> balance that can be further improved through battery operation and the use of other alternative drive system technologies. The Daimler Buses Competence Center for Electric Mobility is to be housed at the Mannheim location. Daimler Buses is taking a comprehensive approach to electric mobility. In addition to its products, Daimler Buses also offers its customers holistic advice

<sup>1</sup> see appendix: labeling

– e-mobility consulting – on topics ranging from the conversion of public transport bus fleets to electric vehicles all the way to follow-up services for bus operating companies.

#### eCitaro – emission-free public transportation in cities

The all-electric Mercedes-Benz eCitaro offers cities and transport companies the possibility of converting their fleets to locally emission-free operation. The eCitaro is series-produced at the Mannheim location. This battery-driven city bus is already in regular service in Berlin, Hamburg, Oslo (Norway), Ystad (Sweden), and many other cities. In addition, hundreds of orders for this model have been placed by buyers from all over Europe.

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 – without needing to be recharged in the middle of a route. 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. In order to achieve reliable data for the eCitaro, we use the particularly challenging road test cycle known as [① SORT2](#), which also takes into account the energy requirements of [① auxiliary consumers](#) such as the ventilation and heating systems.

We are also firmly committed to the technological refinement of the eCitaro in order to improve its practical utility in regular-service public transportation. Starting in 2020, customers will also be able to buy the eCitaro in another model variant as an articulated bus (eCitaro G) with seating for 145 passengers. The eCitaro will be launched with next-generation batteries in 2021. Before that, however, it will be available with solid-state batteries (lithium polymer batteries) in the second half of 2020. Starting in 2022 there will also be a battery-powered model with a [① 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 traffic.

#### A central charging station for the eCitaro

Daimler Buses has established a central charging station for the all-electric eCitaro in 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.

#### An environmentally friendly CO<sub>2</sub> heat pump for electric buses

In 2019 we launched the world's first CO<sub>2</sub> heat pump for production vehicles on the market. Instead of using a synthetic refrigerant with a high proportion of greenhouse gases to heat a vehicle's interior, the heat pump uses the natural and environmentally friendly refrigerant R744 (CO<sub>2</sub>). This CO<sub>2</sub>-based system can also take over the cooling function for the driver, the occupant area, and the high-voltage battery. The technology also functions at temperatures down to -20°C, and it reduces

the energy consumption of the bus by 40 percent by comparison with conventional buses.

#### Sustainability awards for our buses

Mercedes-Benz and Setra, the bus brand of Daimler AG, received several awards in 2019. The independent jury of the “International Bus Planner Sustainability Award” honored the fact that the low, and therefore resource-conserving, fuel consumption of these two brands benefits bus companies as well as the environment and society in general. Two Mercedes-Benz city buses – the eCitaro and the Citaro hybrid – as well as the double-decker coach Setra TopClass S 531 DT won awards in their respective categories. At the international trade fair “Busworld Europe” the eCitaro also received the “Sustainable Bus Award 2020” in the Urban category as well as the “Comfort Label 2019”. The jury determined that the Mercedes-Benz eCitaro currently offers the best combination of sustainability, comfort, and safety. The Busworld Awards jury also honored the Setra TopClass S 531 DT with the “Comfort Label”. In December 2019 the all-electric Mercedes-Benz eCitaro received the “Blue Angel” quality seal. The “Blue Angel”, which has been the German government's seal of environmental quality for over 40 years, is awarded by independent institutions. This coveted seal testifies to the eCitaro's environmental friendliness and its exemplary path toward locally emission-free local public transportation systems. The eCitaro is the first all-electric city bus to bear this quality seal.

#### eMobility consulting

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, our OMNIplus brand offers a tailored electric mobility service package that includes on-site services at customers' maintenance and repair shops.

#### Partnership with Proterra

In 2018 we entered into a strategic partnership with Proterra, the leading manufacturer of electric buses on the North American market for use in local transport systems. In our first joint project, we are working on the electrification of school buses made by Daimler's Thomas Built Buses brand. These buses are especially suited for electrification, because they travel along planned routes and cover a predictable number of kilometers on a daily basis. The cooperation on an electric school bus gives both companies the opportunity to offer new economical transport options with environmentally friendly and emission-free electric drive technology in this growing segment.

#### Expansion of the electric charging infrastructure

GRI 203-1

Studies estimate that about 70 to 80 percent of the charging processes in the regions Europe and NAFTA take place at home or at the workplace and only a good 20 to 30 percent take place

in semi-public or public spaces. We provide suitable solutions for all three areas.

#### **charge@home**

The new Mercedes-Benz [❶ Wallbox Home](#) enables users to quickly and safely charge their vehicles at home with a charging capacity of up to 22 kW. An installation service is offered by a market-specific partner. This charging partner offers professional advice on all aspects of charging for electric vehicles and simply and rapidly installs the Wallbox on site.

#### **charge@Daimler**

With the charge@Daimler project, the company is consolidating its activities related to the establishment of an intelligent charging infrastructure at all Daimler locations in Germany. Employees at Daimler locations in 24 German cities can already take advantage of comprehensive charging solutions. More than 2,700 charging points have been set up since 2013. The project includes equipping employee parking lots, parking garages, and customer centers, as well as electrifying the in-house development test rigs and testing facilities.

#### **charge@highway**

Through 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 is pursuing the goal of also being able to guarantee a consistent charging network for long-distance travel on the most important pan-European highways in order to accelerate the establishment of electric mobility on the market. The network's short charging times make for a pleasant journey, especially over long distances. IONITY plans to install and put into operation around 400 fast-charging stations by the end of 2020.

Over 200 IONITY fast-charging stations were in operation at the beginning of 2020, and many more are under construction. Each IONITY fast-charging station has several charging points per charging park. By the end of 2020, thousands of charging points will enable customers to charge vehicles of different brands and with different electrical outputs. All of the charging points will be driven by 100 percent renewable energy. The charging network uses the European Combined Charging System standard (CCS), 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.

#### **Charge@fleet**

Together with a partner, Mercedes-Benz also offers companies and fleet operators intelligent charging solutions that enable fleet managers to monitor and invoice costs for all vehicle charging processes. These solutions even integrate the offsetting of costs accruing to the driver of a company car for charging at the employee's home.

#### **Mercedes me Charge**

Charging an electric vehicle is a comfortable and uncomplicated process, not only at home with a Mercedes-Benz [❶ Wallbox](#), for example, but also on the road. Mercedes me Charge offers Mercedes-Benz customers access to one of the world's largest charging networks, with more than 300 different operators of public charging stations in Europe alone (for example in cities, in parking lots, on highways, and in shopping centers). In order to use this network, customers do not have to sign a variety of contracts. Once they have made a one-time decision about their payment method, they benefit from a simple authentication process and an integrated payment function with simple billing features. Thanks to the navigation system, Mercedes-Benz customers can easily find these public charging stations, and they can easily access them either via the Mercedes me Charge charging card, the Mercedes me app or directly from their cars. The infotainment system MBUX (Mercedes-Benz User Experience) also supports the search for charging stations. The natural speech recognition of the MBUX system enables users to start the search by saying, "Hey Mercedes, find nearby charging stations."

Driving electricity can be a significant generator of CO<sub>2</sub> in the life cycle of an electric vehicle – depending on how it is generated. Today the sources of electricity differ widely from one region to another. We want to inspire our customers to charge their "green" vehicles with "green" electricity. For example, with Mercedes me Charge we enable drivers to charge their vehicles comfortably at many different public charging stations in Europe, which offer energy from renewable sources whenever possible. However, the transition to the sustainable mobility of the future will be successful only if the automotive industry, energy suppliers, and governments work hand in hand. This means that players outside the automotive sector as well will have to make massive investments and implement concrete measures. Climate-neutral energy and a comprehensive infrastructure are indispensable for this systemic change.

#### **Expansion of the hydrogen refueling infrastructure**

The network of hydrogen refueling stations is also growing. In the joint venture H2 MOBILITY Deutschland, we are working together with Air Liquide, Linde, OMV, Shell, and Total to expand the hydrogen infrastructure throughout Germany. At the end of 2019 there were 79 publicly accessible hydrogen refueling stations with a capacity of 700 bar in Germany, 11 stations were under construction, and 15 more were in the planning or approval phase. In 2019, H2 Mobility thus added about 25 new stations to the network. The German Federal Ministry of Transport and Digital Infrastructure and H2 MOBILITY have signed a memorandum of understanding that follows up the first phase of expansion. In the course of 2020 the network will grow to a total of approximately 100 hydrogen refueling stations. The partners' long-term goal is to establish a network consisting of as many as 400 hydrogen refueling stations. Similar infrastructure projects are being implemented in the rest of Europe, the United States, and Japan.

<sup>1</sup> see appendix: labeling

## Air quality: Targets and measures

GRI 103-2

In addition to climate protection, we consider inner-city air quality an important environmental aspect. That's because road traffic still accounts for a considerable share of nitrogen dioxide pollution ( $\text{NO}_2$ ) near roads.

### Diesel vehicles: new engines, subsidies for retrofits

Plans call for our new vehicle fleet to no longer have any relevant impact on  $\text{NO}_2$  emissions in urban areas by 2025. Another one of our aims is to increase transparency with regard to vehicle-related particulate emissions and to forge ahead with the development of new measures for reducing such emissions.

#### New diesel engines

Our new OM 654, OM 656, and OM 608 diesel engines are bringing us ever closer to our targets for lowering  $\text{NO}_x$  emissions under real driving conditions ([① real driving emissions – RDE](#)). A reduction of  $\text{NO}_x$  emissions is made possible by an innovative overall package consisting of the engine and the exhaust treatment system. This package is being continuously enhanced and has been comprehensively launched on the market in the new engine generation encompassing the OM 654, OM 656, and OM 608. The very good values achieved by these engines have been repeatedly confirmed in road tests by organizations such as DEKRA and TÜV as well as by various trade magazines. According to the 13/19 issue of the automotive magazine *auto motor und sport*, emission measurements on twelve test vehicles from different brands showed that the tested Mercedes C 300 d wagon (combined fuel consumption: 5.3-4.8 l/100 km; combined  $\text{CO}_2$  emissions 139-127 g/km)<sup>1</sup> emitted "almost no  $\text{NO}_x$ ."

The ADAC reported about its own extensive measurements in February 2019 as follows: "The  $\text{NO}_x$  emissions of current cars in real-world driving on the road are far below the test bench limits." The Mercedes-Benz C 220 d (combined fuel consumption 4.7-4.4 l/100 km; combined  $\text{CO}_2$  emissions 126-117 g/km)<sup>1</sup> performed particularly well: "Its  $\text{NO}_x$  figure was hardly measurable, between 0 and 1 mg/km."

#### Planned measures for diesel engines

Overall, Daimler is developing software updates for a majority of its fleet of Euro 6b and Euro 5 diesel cars in Europe. These updates improve the nitrogen oxide emissions of the vehicles in normal operating status by 25 to 30 percent on average. This will be verified with the WLTC1, 2, 3 measurement cycle.

As early as 2017 Daimler announced that it would offer voluntary service measures that would include software updates for several million diesel vehicles in Europe. The company has since then extended this update campaign, among other things to include van models. Daimler has in addition been carrying out obligatory recalls – during which software updates are also applied – at the order of Germany's Federal Motor Transport Authority (KBA) since 2018.

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

#### Hardware retrofit program

In the previously defined priority regions, we are also 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 have been 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  $\text{NO}_x$  limit value of 270 mg/km in real driving operation under specific conditions. This limit value is the result of negotiations with various automakers that had categorized this value as technically feasible. The aim is to guarantee a significant decrease of  $\text{NO}_x$  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. If they are entitled to receive a hardware retrofit authorized by the KBA, they can use this website to submit a request for payment of the grant.

#### Internal and external options for registering a complaint

GRI 103-2

Daimler employees have the opportunity to report possible irregularities, failure to comply with regulations, or other types of complaints related to violations of permissible limits. They can submit such reports to their respective supervisors or to the responsible approval bodies. During the reporting period there were product-related investigations and official orders by authorities in the United States, the EU, and Germany. Some of the proceedings that were initiated have already been resolved. In order to correct such irregularities and avoid similar occurrences in the future, Daimler has already introduced appropriate preventive measures.

#### Cleaner air in cities

In order to measurably improve air quality in cities, we are implementing a number of measures that go beyond the legal requirements.

For example, Daimler is supporting the German federal government's concept for clean air and the safeguarding of individual mobility in cities. Within this framework we are implementing a series of measures in order to help improve air quality in urban areas in particular.

#### [Rethinking urban mobility](#)

<sup>1</sup> see appendix: labeling

## Diesel emission behavior: Governmental proceedings

GRI 307-1

In September 2019, the Stuttgart district attorney's office issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million which has become legally binding, thereby concluding the administrative offense proceedings against Daimler.

In the years 2018 and 2019, KBA issued various administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EC type approvals in this respect, including stops of the first registration and mandatory recalls. Daimler has filed timely objections against such administrative orders in order to have the open legal issues resolved, if necessary, also by a court of law.

In the course of its regular market supervision, KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In light of the aforementioned administrative orders issued by KBA, it is likely that in the course of the ongoing and/or further investigations, KBA will issue additional administrative orders holding that other Mercedes-Benz diesel vehicles are also equipped with impermissible defeat devices. Daimler has (in view of KBA's interpretation of the law as a precaution) implemented a temporary delivery and registration stop with respect to certain models, also covering the used car, leasing, and financing businesses, and is constantly reviewing whether it can lift this delivery and registration stop in whole or in part. The new calibrations requested by KBA are being processed, and for a certain proportion of the vehicles, the relevant software has already been approved by KBA; the related recalls have insofar been initiated. It cannot be ruled out that software updates may be reworked and further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure, also with a view to the used car, leasing and financing businesses, under the relevant circumstances. Daimler has initiated further investigations and otherwise continues to fully cooperate with the authorities and institutions.

➤ [Legal Proceedings, AR 2019 \(p. 283 f.\)](#)

In addition to the measures mentioned above, we are introducing vehicles that comply with the [Euro 6d-TEMP emissions standard](#). Significantly reduced NO<sub>x</sub> emissions are a characteristic feature of vehicles that are certified in accordance with the Euro 6d-TEMP standard. All Mercedes-Benz cars that can be ordered as new vehicles now comply with this standard. We also have a whole range of vehicles on the market that already comply with the even stricter Euro 6d standard, which will be binding for all new vehicles as of January 2021.

We would like to be able to assess the effects of modern diesel engines in our fleet and to calculate the risk of possible future driving restrictions as accurately as possible. That's why we are observing and modeling the development of urban air quality at the well-known measuring stations in Germany. One of the measuring stations we are focusing on is located at "Am Neckar tor" in Stuttgart, Germany. As a member of the Alliance for Air Quality, we discuss the measurement results with engineering companies, the city of Stuttgart, and the federal Ministry of Transport.

### Particulate filters for gasoline engines

A gasoline particulate filter (GPF) is a technology for purifying the exhaust gases of gasoline engines. Within the filter, ultra-fine particles are deposited on a highly porous ceramic layer and then subsequently burned by the hot exhaust gases of the engine. As a result, fewer of these particles are released into the air as particulate emissions. Daimler was a pioneer in the testing of this technology. We conducted the first tests with gasoline particulate filters as early as March 2014. In mid-2017 we began the comprehensive introduction of GPF for all Mercedes-Benz direct-injection gasoline engines. And since June 2018 we have been equipping all of these engines in Europe with GPFs. We are one of the first automakers to do so. Preparations are currently under way to take account of general conditions and future legal developments in other markets and to start the implementation of GPFs there.

### Air quality in vehicle interiors

Good air quality in the vehicle interior and anti-allergenic vehicle surfaces contribute to the occupants' safety and well-being. As early as the model development stage, we make sure that emissions in the interior are reduced to a minimum and that allergens are avoided. External allergens are effectively kept out by highly efficient filters in the air conditioning unit. Since 2016, most of our car model series have borne the seal of quality of ECARF, the European Centre for Allergy Research Foundation. The ECARF seal is awarded to products whose anti-allergenic properties have been demonstrated in scientific studies. In 2019 the ECARF seal was granted to the B-Class and to the GLE and the CLA models. In total, up to 70 percent of our European vehicle portfolio has been certified, and more models are currently in the process of certification.

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

### Emission laboratory in Immendingen

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. The laboratory is now in the commissioning phase, and it will begin operating at the end of 2020. In the future, the lab's roller test rigs will be capable of testing all Mercedes-Benz car and van models. This is relevant to emissions and electrical aspects such as power consumption and range tests. 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). That makes it possible to transfer complex global developments and validations from the road to the new technology center. The facility will include several lab and workshop areas that will be used to test onboard diagnosis (OBD) systems and prepare for RDE test drives with portable emission measurement systems (PEMS).

### How we assess the effectiveness of our management approach

GRI 103-3

Within the context of our "Ambition 2039" and our strong commitment to the Paris Agreement on climate protection, we combine both internal and external performance assessments in our management approach. In line with this approach, we derive measures for ensuring that we reach our goals and assess our implementation of these measures. The internal reviews are conducted by the specialist unit at short intervals throughout the year. The external review consists of an annual audit of a selection of our corporate goals and our attainment of them that is conducted by an auditing company. In addition, the [Science Based Targets Initiative \(SBTi\)](#) monitors and confirms the conformity of our path toward goal attainment with the Paris Agreement on climate protection.

In the environmental workshop at our annual Daimler Sustainability Dialogue, we conduct in-depth discussions with environmental institutes and NGOs. Throughout the year, there are numerous discussions and direct exchanges with our Board of Management on the subject of climate protection. In addition, the feedback we continually receive from government and the public lets us know how the sustainability goals we have set for ourselves are being perceived and evaluated.

The attainment of our fleet's CO<sub>2</sub> emission targets has already been a component of the remuneration of our Board of Management for years now. In 2020 we will further differentiate this system and expand it to involve the entire senior management structure, from the department heads on up. We expect this process to motivate everyone involved even more strongly to reach the sustainability goals we have set for ourselves.

↗ [Key figures environment](#)

## CLIMATE PROTECTION &amp; AIR QUALITY

# On the road to CO<sub>2</sub>-neutral production

Climate and environmental protection already play an important role in the production of our vehicles. Our goal is to make our vehicle production processes CO<sub>2</sub>-neutral in all of our production plants by 2039 at the latest – in Europe already by 2022. In order to contribute to improving air quality in our production plants, we are also working to reduce airborne emissions.

## Reducing CO<sub>2</sub> and airborne emissions

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. That includes not only reducing the CO<sub>2</sub> and airborne pollutant emissions of our vehicles but also looking at our production plants and our supply chain in the process.

By pursuing our goal of making our production processes [① CO<sub>2</sub>-neutral](#) over the long term we are fulfilling our voluntary commitment and also complying with national and international climate protection guidelines.

In addition to CO<sub>2</sub> emissions, we are also paying attention to the airborne emissions of our production plants. Reducing 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 highly important in this regard, especially 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 area and by our energy generation systems.

## How we make our production more environmentally and climate-friendly

GRI 103-2

Daimler operates around 70 production facilities all over the world. They are subject to a variety of regional and national laws regarding air quality. We have put organizational and technical measures in place in order to comply with the respective legal limit values for airborne emissions.

The environmental protection measures at our production locations are centrally controlled and coordinated across business units by three regional committees (Germany/Europe, North and South America, and Asia). The main task of these committees is to network our environmental experts across different plants and throughout the Group and to work out globally acceptable standards and procedures. The aim is to continuously improve our environmental performance by developing standards, sharing tried-and-tested and innovative processes, and communicating our environmental goals.

## Monitoring our own processes

At our production locations, the local managers are in contact with the responsible regulatory authorities in order to ensure that our plants are familiar with all locally valid emission regulations and in compliance with them. Moreover, the plants' emission-related data are collected annually in the centrally managed Daimler environmental data information system "DUDIS".

## Internal and external options for registering a complaint

If our employees notice any irregularities in the area of environmental protection, they can report them to their respective supervisors. Residents from the communities in which our plants are located, as well as employees of neighboring companies, can also inform us about emissions-related anomalies or irregularities by contacting the plant's environmental protection officer. This officer will search for the cause of the complaint and, if necessary, will promptly initiate corrective measures. The environmental protection officers have the right to report directly to the management bodies of their respective plants.

## Climate protection goals for our plants

We have formulated the following climate protection goals for our plants:

- **Starting in 2022:** CO<sub>2</sub>-neutral production at our European plants in all business units
- **By 2039:** CO<sub>2</sub>-neutral production at all of our plants and in all of our business units worldwide
- At Mercedes-Benz Cars & Vans we are striving to reduce the absolute [① Scope 1 and 2 emissions](#) by 50 percent by 2030 compared to the reference year 2018. In addition, we plan to reduce the Scope 3 emissions in the use phase of our Mercedes-Benz cars and vans by 42 percent per vehicle-kilometer by 2030 compared with 2018. These goals have been confirmed by the [① Science Based Targets Initiative](#).

## CO<sub>2</sub>-neutral energy supply

Starting in January 2022, all Daimler AG locations in Germany will receive electricity from 100 percent renewable sources of energy. An electricity contract for all Daimler locations will ensure that their energy needs will be fully covered at all times by wind, solar, and hydroelectric power. If any gaps should occur, the necessary electricity will be generated in our own highly efficient gas-fired combined heat and power plants.

Beginning in 2022, we intend to offset the resulting CO<sub>2</sub> emissions through suitable compensation projects. This means that we will support climate protection projects that help to lower greenhouse gas emissions. We will also compensate for all other energy purchases by the plants, such as natural gas, district heating for buildings, and the fuel used for transportation within plant grounds. For this compensation process we will use [Gold Standard CER certificates](#).

We plan for our new factories in Germany and the rest of Europe to have a CO<sub>2</sub>-neutral energy supply from the very start: The plant in Hambach (France) already covers all of its electricity requirements with energy from renewable sources. We have installed photovoltaic (PV) systems at many of our production locations. In 2019 we installed PV systems on site to supply electricity directly to the plants in Brixworth (UK) and Kassel (Germany). Extensive analyses and planning for the installation of additional major PV systems are under way at many other production locations in Germany and other countries.

Our Factory 56, one of the world's most advanced automobile production systems, is now being built at our Sindelfingen plant: Factory 56 will already be supplied with CO<sub>2</sub>-neutral energy when it goes into operation. A photovoltaic system installed on the roof of the production hall will generate green electricity for the manufacturing operations below. Numerous measures to reduce energy consumption will also be implemented at the facility, and approximately 40 percent of the roof's surface will be extensively greened as well. This will not only ensure rainwater retention and offset the creation of impervious ground surfaces but also improve the interior climate in the hall.

Production at the Mercedes-Benz plant in Jawor (Poland) will also be CO<sub>2</sub>-neutral as of the plant's commissioning. The plant will be supplied with environmentally friendly energy from the Taczalin wind farm, which is located about ten kilometers away. The wind farm's 22 wind turbines have a combined installed capacity of 45.1 megawatts. The VSB Group developed and now operates the wind farm. With this contract, Daimler as a consumer of electricity is safeguarding a green electricity supply for the location over the long term.

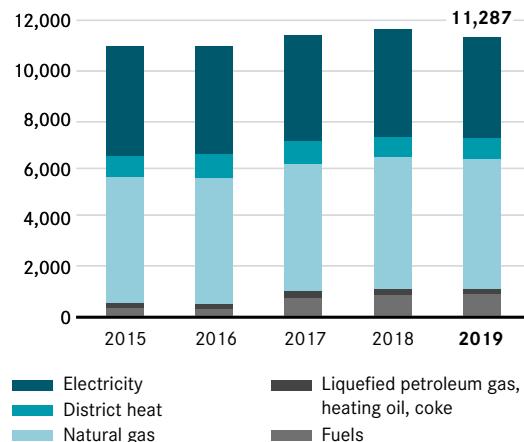
## Our battery production

We assemble drive batteries in our own battery manufacturing network, which stretches across three continents. This assembly is of fundamental importance for safeguarding the production of electric vehicles.

Our total global battery production network consists of nine factories at seven locations on three continents. The first factory built in Kamenz (Germany) is in serial operation. The second factory in Kamenz, as well as the battery factories in Beijing (China) and Bangkok (Thailand), began series production in 2019. The battery factories in Stuttgart-Untertürkheim (Germany), Tuscaloosa (United States), and Jawor (Poland) are currently under construction.

## 3.1 Energy consumption in production

in GWh



In the reporting year the Mercedes-Benz plant in Bangkok (Thailand) began its local production of batteries for Mercedes-Benz plug-in hybrid models. Mercedes-Benz AG has cooperated with its local partners Thonburi Automotive Assembly Plant and Thonburi Energy Storage Systems to invest more than €100 million in battery production and the expansion of the existing vehicle production plant. Large solar panels on the roofs of the production plant's buildings are helping us reach our goal of CO<sub>2</sub>-neutral production. Surplus solar power is temporarily stored in second-life battery storage systems consisting of reused batteries from electric vehicles. The plant is working closely together with Mercedes-Benz Energy GmbH on this project. The stationary storage systems can improve the cost-effectiveness as well as the life cycle assessment of electric vehicles.

The production of these drive batteries with lithium-ion technology requires the intense use of resources and energy. On the road to climate-neutral mobility, Mercedes-Benz has therefore set itself the goal of ensuring that around one-third of the battery cells for the next vehicle generation of the product and technology brand EQ are 100 percent produced with electricity from renewable energy sources. As a result, we will be able to shrink the CO<sub>2</sub> footprint of the drive batteries of future vehicle models by more than 30 percent. We are already producing our own batteries at the Kamenz location using green electricity and implementing compensation measures for the remaining CO<sub>2</sub> emissions.

## Increasing energy efficiency

GRI 302-4

Since 2012 we have introduced and certified energy management systems certified in accordance with the DIN EN ISO 50001 standard at our German production locations. The introduction of this standard has included the establishment of an energy management organization with energy management officers and an energy team. Extensive measurements are made and analyzed in order to identify the key areas of energy

### 3.2 Daimler in China

Beijing Foton Daimler Automotive Co., Ltd. (BFDA)	Beijing Benz Automotive Co., Ltd. (BBAC)	Fujian Benz Automotive Co. (FBAC)	Shenzhen BYD Daimler New Technology Co., Ltd.
<b>Ownership</b> 50 percent Daimler, 50 percent Foton	<b>Ownership</b> 49 percent Daimler, 51 percent BAIC	<b>Ownership</b> 50 percent Daimler and China Motor Corporation, 50 percent Fujian Motor Industry Group Co., Ltd.	<b>Ownership</b> 50 percent Daimler, 50 percent BYD Co., Ltd.
<b>Location</b> Beijing	<b>Location</b> Beijing	<b>Location</b> Fuzhou	<b>Location</b> Shenzhen
<b>Production volume in 2019</b> 88,108 units	<b>Production volume in 2019</b> 564,564 units	<b>Production volume in 2019</b> 27,418 units	<b>Development</b> Electric vehicles DENZA 500
<b>Production</b> Medium and heavy-duty Auman brand trucks, EST-A, EST, GTL, ETX, Mercedes-Benz OM 457 engines	<b>Production</b> Mercedes-Benz A-Class (long-wheelbase version), C-Class (incl. long-wheelbase version), E-Class (incl. long-wheelbase version), GLA, GLC, car and van engines	<b>Production</b> Body shop and assembly plant for vans (V-Class, Vito)	
<b>Energy consumption</b> 352.8 GWh – thereof electricity: 68.8 GWh – thereof natural gas: 174.6 GWh – thereof heating oil: 109.4 GWh	<b>Energy consumption</b> 969.5 GWh – thereof electricity: 477.3 GWh – thereof solar electricity: 6.8 GWh – thereof natural gas: 485.4 GWh	<b>Energy consumption</b> 93.6 GWh – thereof electricity: 45.6 GWh – thereof natural gas: 48 GWh	

consumption. This enables us to identify and exploit savings potential in the areas of production and infrastructure. Here we have optimized the switching times of lighting and ventilation systems, changed to LED lighting, implemented a new lighting control system including a dimming function in the body-in-white unit, optimized the software of the energy supply systems, and introduced the regulated control of air volume according to changing needs. The use of efficient motors and control systems is always taken into account in the purchase of new facilities and the conversion of existing ones. By means of these measures we have been able to optimize energy consumption and energy efficiency as well as enhancing transparency. In addition, the workforce in the plants is being sensitized to this initiative through a variety of measures. These include readily visible tips for energy saving, training courses, and energy measurements in the production facilities. Various technical measures, such as the installation of energy-saving LEDs, the automatic switching off of energy consumers during pauses and production-free periods, and the use of highly efficient turbo compressors for central compressed-air generation, are contributing to further energy saving. These measures are supported by efficient control of the electric power supply.

With these and further energy efficiency projects we were able to save approximately 180 GWh/a in electricity, heat/cold, fuels and other energy carriers in 2019. These energy efficiency projects and the energy and CO<sub>2</sub> reductions achieved are

systematically tracked in our database for the steering of targets implemented Group-wide.

We now aim to expand these successful energy conservation measures worldwide. Several of our locations abroad have already been certified in accordance with the DIN EN ISO 50001 standard. They include our facilities in Brixworth (UK), Detroit-Redford (United States), Kecskemét (Hungary), and Vitoria (Spain). More than 70 percent of our locations in Europe already have energy management systems in place. In 2019 our production facility in Aksaray (Turkey) was certified in accordance with the revised ISO standard 50001 (ISO 50001:18). Our plants in Aksaray, São Bernardo (Brazil), and Wörth (Germany) are in close contact with one another so that they can coordinate their efforts to efficiently implement the requirements of these standards and learn with and from one another. We are also working intensely to extend these certifications to other production plants.

#### Participation in European emissions trading

Industrial facilities that produce CO<sub>2</sub> emissions as a result of the combustion of fossil fuels (oxidation) and whose approved thermal output exceeds 20 MW are required by law to participate in the EU Emissions Trading System (EU ETS). The operators of such facilities are required to calculate on an annual basis the CO<sub>2</sub> emissions they produce, report the figures to the responsible authorities, and then submit to the same authorities CO<sub>2</sub>

emissions permits in the amount of the reported CO<sub>2</sub> emissions. One CO<sub>2</sub> emissions permit (European Union Allowances – EUA) allows the facility to emit one ton of CO<sub>2</sub>.

A total of 13 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 Mannheim plant operates a foundry that is also subject to the regulations governing the EU ETS.

The permitted total number of EUAs within the EU's emissions trading program is limited. A small number of EUAs are assigned to industrial plants free of charge. Fewer and fewer free CO<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> emissions permits the Group needs.

More than half of the CO<sub>2</sub> emissions generated at our European production locations are currently covered by emissions trading. Beginning in 2022, we intend to offset these CO<sub>2</sub> emissions from Daimler facilities through suitable compensation projects. We are also striving to reduce our CO<sub>2</sub> emissions further by implementing projects to increase energy efficiency and expanding the capacity of systems that generate heat and electricity from renewable sources. Assessments of our CO<sub>2</sub> reduction projects also take into account the costs of CO<sub>2</sub> emissions trading and CO<sub>2</sub> compensation measures.

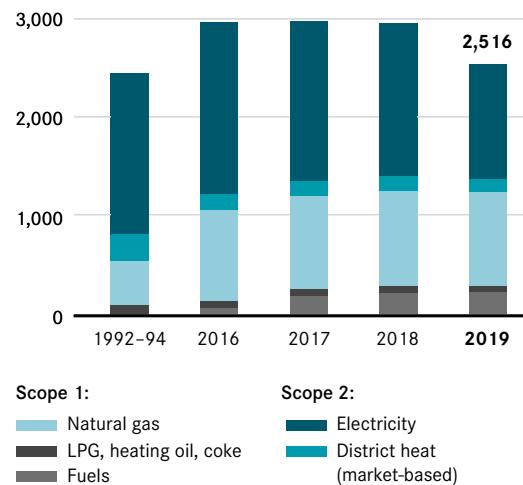
### Reducing VOC emissions

Emissions of VOCs (volatile organic compounds) occur mainly in the paint shops of automobile production plants. "VOC" is a general term for various organic substances that easily enter the gaseous phase. 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. There is currently no Group-wide voluntary obligation regarding this type of emission. However, we are striving to comply with the European standards regarding VOCs, which are among the strictest in the world.

One example of our efforts to decrease 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. Our real emissions in this area are actually significantly lower. By way of comparison, the legal EU limit value for cars is 35 grams per square meter of the painted surface

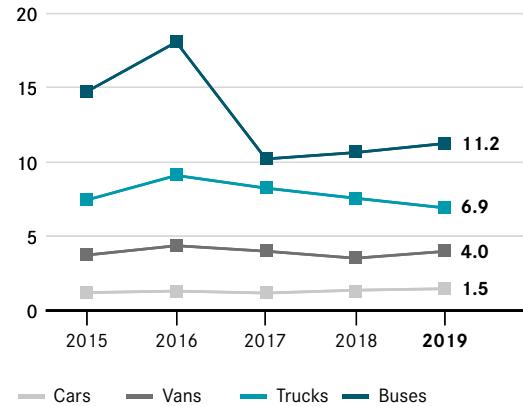
### 3.3 Direct and indirect CO<sub>2</sub> emissions from production

in 1,000 t



### 3.4 Specific solvent emissions (VOCs) per vehicle

in kg/vehicle



of a vehicle. We are continually optimizing existing exhaust air purification systems and developing new technologies. One example of that is the innovative treatment of solvent-bearing exhaust air at a paint shop at the Gaggenau plant, which combines two exhaust air purification processes. First the solvents are removed from the exhaust air and concentrated by means of an adsorption wheel (first process step). Next, they are partially desorbed and then oxidized in a catalyst (second process step) at low temperatures in an energy-efficient process. By means of the adsorption wheel, the volume of the stream of exhaust air to be treated can be reduced energy-efficiently from about 34,000 Nm<sup>3</sup>/h to only 1,400 Nm<sup>3</sup>/h. The result of this process is a highly concentrated mixture of solvent and air that has a high energy content. By comparison with traditional

thermal afterburning as the second process step, the catalyst reduces the reaction temperature to 300 °C. That increases the system's efficiency while decreasing the thermal stress on the components.

The Eco Paint painting process for trucks (EP-T) is an innovative, environmentally friendly, and highly flexible painting process for truck cabs all over the world that was developed by Daimler and is now used in series production. We achieve energy savings and a more than 50 percent reduction of CO<sub>2</sub> emissions by comparison to conventional processes through the use of new paint materials with an extremely high proportion of solid content (80 percent of total weight), the integrated (wet-in-wet) application of the filler and the topcoat, and the energy-efficient and resource-conserving dry separation of the paint overspray. Through these measures we are also reducing solvent emissions by as much as 60 percent.

### Optimizing transport logistics

Our global transport logistics operations currently serve 75 manufacturing plants in around 30 countries and about 8,500 retailers in almost all regions of the world. We transported around 3.3 million vehicles worldwide in 2019. In addition, almost 5.4 million tons of production materials were transported in Europe in the first half of 2019 alone. Our global transport volume amounted to around 460,000 standard containers of sea freight and about 90,000 tons of air freight.

We are working hard to optimize our logistics network in order to reduce the associated CO<sub>2</sub> 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<sub>2</sub> emissions. When selecting providers of logistics services, we also take sustainability criteria into account – from environmental certificates and the use of environmentally compatible equipment to the utilization of low-emission trucks that meet the latest Euro emissions standards.

About 70 percent of the sea freight containers that enter and leave the Global Logistics Center (GLC) in Germersheim are transported to inland destinations via barges and about 30 percent are transported by train.

The environmental footprint of the shipping industry will also significantly decrease with the introduction of low-sulfur fuel after the regulation mandating its use (IMO 2020) takes effect as of January 1, 2020. We stand for the definition of optimally priced, innovative, environmentally friendly, and protective packaging at an appropriate time in accordance with legal requirements.

### Local measures

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, we are subsidizing their use of public transport such as commuter trains, streetcars, and buses by means of job tickets, company tickets, and other measures. Thanks to Daimler's coverage of the costs, since January 2018 the Group's employees have also been able to use local public transportation free of charge to travel between their homes and workplaces in the Stuttgart region on particulate alert days.

### How we assess the effectiveness of our management approach

#### GRI 103-3

On the road to CO<sub>2</sub>-neutral production, we have already achieved success in a number of areas. The long-term CO<sub>2</sub> reduction goals for our production processes that we set for 2020 were already achieved in 2019. They included

- The reduction of absolute CO<sub>2</sub> emissions at our European plants by 20 percent relative to 1992/1994 by 2020.
- The reduction of specific CO<sub>2</sub> emissions (per vehicle) at our European plants by 66 percent relative to 1992/1994 by 2020.
- The reduction of specific CO<sub>2</sub> emissions at our production facilities worldwide by 40 percent relative to 2007 by 2020.

#### [How we assess the effectiveness of our management approach \(GRI 103-3\)](#)

#### [Key figures environment](#)

### CO<sub>2</sub> emissions from energy consumption (in 1,000 t)

#### GRI 305-1/-2

	2015	2016	2017	2018	2019
CO <sub>2</sub> direct (Scope 1)	1,060	1,056	1,192	1,247	<b>1,239</b>
CO <sub>2</sub> indirect (Scope 2) - market-based*		1,882	1,763	1,687	<b>1,276</b>
CO <sub>2</sub> indirect (Scope 2) - location-based*	2,171	2,141	2,041	1,985	<b>1,706</b>
<b>Total - market-based*</b>		<b>2,938</b>	<b>2,955</b>	<b>2,934</b>	<b>2,516</b>
<b>Total - location-based*</b>	<b>3,231</b>	<b>3,197</b>	<b>3,233</b>	<b>3,232</b>	<b>2,946</b>

\* Since 2016, the „market-based“ and „location-based“ accounting approach 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.

**Specific CO<sub>2</sub> emissions (in kg/vehicle)\***

GRI 305-1

	2015	2016	2017	2018	2019
Cars – CO <sub>2</sub> direct (Scope 1)	252	245	250	267	<b>279</b>
Cars – CO <sub>2</sub> indirect (Scope 2) – market-based**	652	611	565	562	<b>431</b>
<b>Total – Cars – Scope 1 &amp; 2</b>	<b>904</b>	<b>856</b>	<b>815</b>	<b>829</b>	<b>711</b>
Trucks – CO <sub>2</sub> direct (Scope 1)	642	746	663	629	<b>676</b>
Trucks – CO <sub>2</sub> indirect (Scope 2) – market-based**	1,399	1,286	1,084	933	<b>834</b>
<b>Total – Trucks – Scope 1 &amp; 2</b>	<b>2,041</b>	<b>2,032</b>	<b>1,747</b>	<b>1,561</b>	<b>1,510</b>
Vans – CO <sub>2</sub> direct (Scope 1)	399	372	340	355	<b>346</b>
Vans – CO <sub>2</sub> indirect (Scope 2) – market-based**	275	201	157	196	<b>160</b>
<b>Total – Vans – Scope 1 &amp; 2</b>	<b>674</b>	<b>573</b>	<b>497</b>	<b>551</b>	<b>506</b>
Buses – CO <sub>2</sub> direct (Scope 1)	1,169	1,408	1,177	977	<b>1,083</b>
Buses – CO <sub>2</sub> indirect (Scope 2) – market-based**	1,416	1,421	1,059	948	<b>911</b>
<b>Total – Buses – Scope 1 &amp; 2</b>	<b>2,585</b>	<b>2,829</b>	<b>2,236</b>	<b>1,924</b>	<b>1,994</b>

\* excl. CO<sub>2</sub> from liquid fuels

\*\* 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.

**Air emissions (in t)**

GRI 305-7

	2015	2016	2017	2018	2019
Solvents (VOC)	7,321	7,971	7,735	7,929	<b>7,506</b>
Sulfur dioxide (SO <sub>2</sub> )	39	33	57	61	<b>60</b>
Carbon monoxide (CO)	2,898	2,843	2,203	2,515	<b>1,962</b>
Oxides of nitrogen (NO <sub>x</sub> )	1,071	1,243	1,185	1,050	<b>1,568</b>
Dust (PM)	197	198	150	182	<b>228</b>

**Specific solvent emissions (VOCs) (in kg/vehicle)**

	2015	2016	2017	2018	2019
Cars	1.21	1.31	1.18	1.37	<b>1.47</b>
Trucks	7.43	9.08	8.23	7.55	<b>6.90</b>
Vans	3.73	4.36	3.99	3.52	<b>3.98</b>
Buses	14.71	18.04	10.19	10.62	<b>11.23</b>

## CLIMATE PROTECTION &amp; AIR QUALITY

# Climate protection in the supply chain

Our commitment to climate protection does not end at our plant gates. In order to become climate-neutral, we also focus on the supply chain. We want to reduce and offset the CO<sub>2</sub> emissions that are associated with the procurement of components, raw materials, and non-production materials, as well as with logistics.

## Global cooperation

GRI 103-1

The consequences of climate change can only be limited if a variety of players pull together all over the world. That is why we also include our supply chain in our climate and environmental protection measures, and why we work in partnership with our suppliers in order to cut emissions. We are thus also creating the preconditions for achieving the EU's absolute CO<sub>2</sub> reduction targets for the transportation sector. These targets can only be attained if there is a reduction of the emissions that are associated with the entire supply chain, including components, raw materials, non-production materials, and logistics.

The supplier network contributes considerably to value added and is thus extremely important for the achievement of the decarbonization targets. This is one of the reasons why it's important that we strive to reduce not only the emissions of our production operations but also the emissions of our suppliers.

## How we are reducing CO<sub>2</sub> and air emissions in the supply chain

GRI 103-2 GRI 308-1

In our sustainable business strategy we set the course for sustainable mobility. In order to achieve our long-term goal of becoming climate-neutral, we are not only systematically electrifying our vehicles but also addressing our supply chain.

We 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. On a risk basis the same also applies to suppliers of non-production materials. Our direct suppliers are required to comply with these sustainability standards, communicating them to their employees and to their upstream value chains, and then checking to ensure that the standards are complied with. We support them in these activities by providing them with targeted information and qualification measures.

In 2019, for example, we held workshops in our passenger car segment with suppliers of steel, aluminum, and battery cells. These inputs account for about 80 percent of the CO<sub>2</sub> emissions within the supply chain of an electric vehicle. Steel and aluminum alone account for approximately 60 percent of the CO<sub>2</sub>

emissions in our entire supply chain. The aim of the workshop was to identify effective CO<sub>2</sub> reduction measures. In order to assess the environmental impact of our supply chain and make it more transparent, we are also working together with organizations such as [CDP](#).

In our supply chain, we apply policies and processes similar to those used in our own plants. For example, beginning in 2022 our European plants will get electricity exclusively from renewable energy sources. We also aim to achieve the same goal for our Mercedes-Benz cars supply chain.

### [On the road to CO<sub>2</sub> neutral production](#)

## Targets and measures for a more climate-friendly supply chain

GRI 103-2

We pursue the goal of our components and parts from CO<sub>2</sub>-neutral sources step by step. Mercedes-Benz Cars & Vans, for example, plans to develop concrete CO<sub>2</sub> measures with suppliers as well as measures for inbound logistics. We also want to reduce CO<sub>2</sub> emissions in the supply chain for the procurement of non-production materials.

Around 16 percent of our CO<sub>2</sub> emissions ([Scope 1, 2, and 3](#)) at Mercedes-Benz Cars come from the supply chain. That is why we also have to help make our suppliers and partners climate-neutral. To do this, we first have to find out at which contractors and stages of our supply chain CO<sub>2</sub> emissions and pollutants are generated. Only on the basis of this information can we define the necessary climate protection measures. In order to make the environmental impact of our supply chains more transparent, we are working with organizations such as CDP. In 2019, for example, we took part in the CDP Supply Chain Program for the first time. As part of this program, we encourage our suppliers to report their environmental impact. CDP provides tools for recording, assessing, and communicating environmental data. We involved our main suppliers, who account for over 70 percent of the annual procurement volume of Mercedes-Benz Cars & Vans, in this program. Almost 80 percent of these suppliers took part in the survey. CDP supplied us with the results in January 2020.

In 2019 we also held workshops with suppliers of Mercedes-Benz Cars & Vans so that we could work together to develop effective CO<sub>2</sub> reduction measures. We concentrated on especially CO<sub>2</sub>-intensive suppliers, such as those in the bodyshell area, and discussed with them the current state and goals of climate protection measures. More workshops will be held next year as part of our order placement process.

We have decided to make CO<sub>2</sub> targets an important criterion for decisions regarding the choice of suppliers and the supply contracts of Mercedes-Benz Cars & Vans. In 2019 we began to conduct talks and procurement negotiations at a variety of levels for the purchase of more low-carbon products. We did this primarily with our direct suppliers. We also underscored the importance of CO<sub>2</sub> reductions in our supply chain by means of the Daimler Supplier Sustainability Award 2019. This is how we rewarded suppliers, among others, who have implemented exceptional CO<sub>2</sub> reduction projects.

### **CO<sub>2</sub>-neutrally produced battery cells**

With its extensive orders for battery cells up to the year 2030, the company has reached yet another important milestone with regard to the electrification of vehicles to be marketed under the product and technology brand EQ in the future.

In this way, we and our supplier partners plan to use state-of-the-art technologies to safeguard the supply of materials to the global [① battery production network](#) today and in the future. These suppliers already manufacture battery cells in Asia and Europe and are continuing to expand their operations in Europe and the United States.

In September 2019 we concluded a sustainability partnership with the battery-cell supplier Farasis Energy (Ganzhou) Co., Ltd., a Chinese developer and supplier of lithium-ion battery technologies. In addition to compliance with human rights in the supply chain and the topic of recycling, this partnership also focuses on the procurement of battery cells from CO<sub>2</sub>-neutral production. In the first proof point, some of the battery cells for the next generation of vehicles for our product and technology brand EQ will be produced using only electricity from renewable energy sources. As a result, future vehicle models of the product and technology brand EQ will have batteries whose total CO<sub>2</sub> footprint will be reduced by considerably more than 30 percent. To achieve this goal, the supplier will produce the battery cells with electricity from renewable sources such as hydroelectric power, wind power, and solar energy.

 [Human rights: Recognizing risks, taking targeted action](#)

 [Designing raw material supply chains sustainably](#)

### **How we assess the effectiveness of our management approach**

GRI 103-3

 [Sustainable supply chain management](#)

## RESOURCE CONSERVATION

## Resource-efficient vehicles

The production of automobiles with alternative drive systems involves the use of raw materials that are either only available in limited quantities or whose extraction can have a negative impact on the environment. We therefore seek to close the material loops in our entire value chain. This ambition is the driving force for a variety of measures to reduce resource consumption in all areas – from development to recycling. In this manner, we plan to increasingly decouple resource consumption per vehicle from the company's sales growth.

### Closing loops, reducing raw material consumption

GRI 103-1

While the material composition of vehicles with conventional drive systems will not change significantly, the growth of electric mobility will substantially change material usage for drive systems, batteries, and power electronics. To date, drive system-specific components such as combustion engines and transmissions have primarily consisted of steel and iron materials as well as aluminum. These materials are expected to be available in sufficient amounts and they can be incorporated back into established cycles at the end of a vehicle's life. However, the current generations of drive system batteries require the metals lithium, cobalt, and 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. This creates challenges for supply chains that are dependent on such raw materials. Moreover, most of the required metal ores are mined in developing countries and emerging markets. As a result, we bear a special responsibility for the environmental and social impact of raw material procurement.

Since the average life expectancy of a battery-electric vehicle is more than ten years, it will take many years before the raw and input materials used in it can be returned to the raw materials cycle in large quantities. Newly mined raw materials will have to be primarily used until then. That is why we are helping our battery cell suppliers in their efforts to reduce the amount of critical raw materials such as cobalt in their batteries or to replace these materials entirely.

### How we are increasing the resource efficiency of our vehicles

GRI 103-2

The units for vehicle design, vehicle development, production planning, procurement, and production are mainly responsible for resource conservation. We make decisions concerning these areas in the corresponding specialist committees. Our corporate management is always involved in the making of fundamental decisions regarding design concepts, manufacturing

technologies, and material utilization. When making final decisions, the management takes into account not only the costs but also other factors such as the industrialization possibilities. In doing so, the management examines whether the outcome of development work regarding raw materials, for example, can be transferred to large-scale industrial production.

Daimler has invested in resource-efficient technologies and production processes for batteries for many years. We strive to further increase energy density, so that more energy can be stored without increasing the battery volume. In addition, the batteries will become significantly lighter, which will have a positive effect on vehicle handling and fuel consumption. Finally, the material composition of the lithium-ion battery cells will change. The combination of nickel, manganese, and cobalt that is normally used today may soon be a thing of the past, because the cobalt is to be largely replaced by nickel. From 2025 onwards, it is expected that the so-called post-lithium-ion technologies, which do not require nickel or cobalt at all, will probably be technically tested to such an extent that they can be used in vehicles.

Daimler's procurement unit analyses which products and raw materials are currently critical with regard to their availability or might become critical in the future, in a process established over many years. It utilizes a variety of measures to ensure that we are supplied with sufficient amounts of the materials that we need to manufacture our vehicles. These measures include hedging against price developments on the [futures market](#).

### Effectively reducing material utilization

Development activities at Mercedes-Benz Cars & Vans focus, among other things, on further reducing the use of resources and their environmental impact. Between now and 2030, we have set ourselves the goal of reducing the use of primary resources in the areas of drivetrain and battery technology by 40 percent compared to today's electric and plug-in hybrid vehicles. Our target is to further increase energy density, so that more energy can be stored without increasing the battery volume. In addition, the batteries will become significantly lighter. We already use resource-conserving materials such as recycled plastics and renewable raw materials in a variety of components and are continuously expanding this use with each new generation of vehicles. Moreover, we are using new lightweight materials and

technologies such as sandwich structures and MuCell® in order to conserve resources and reduce weight.

Besides using large amounts of secondary materials, we extensively recycle vehicles and their components. We are actively involved in the research and development of new recycling technologies for our high-voltage batteries, and we promote their establishment on the market.

## Measures for reducing resource consumption

GRI 103-2 GRI 301-1

Daimler consumes around 7.7 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. These activities are based on our [“Design for Environment” approach](#), which means that our vehicles are designed in early stages of their development to be as resource-conserving and environmentally friendly as possible. This approach encompasses three aspects: [life cycle assessments](#), lightweight engineering, and recycling.

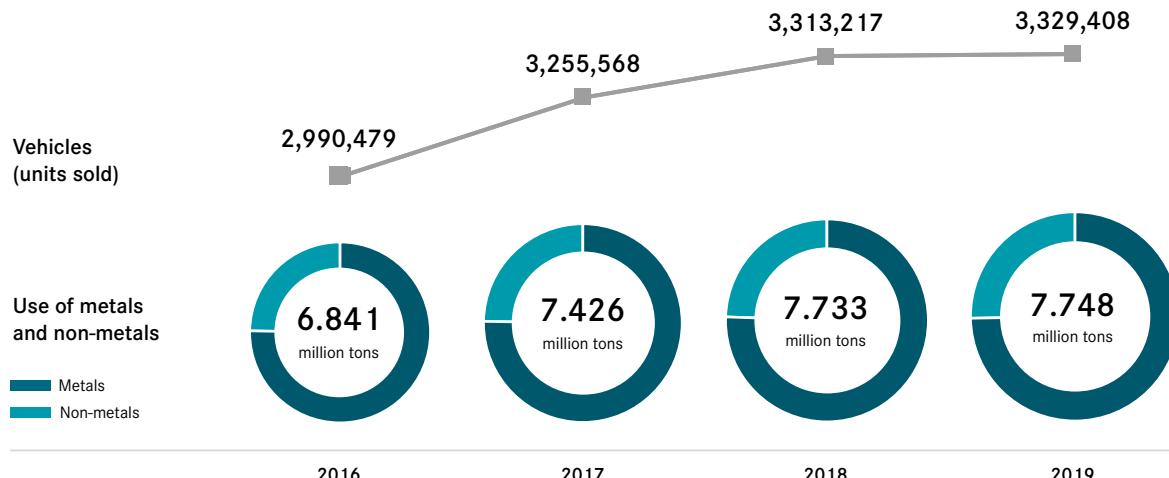
### EXAMPLE

#### The life cycle assessment of the EQC 400 4MATIC

**Production phase.** The specific drive system components of the EQC (EQC 400 4MATIC: Electric power consumption (combined, acc. to NEDC): 21.3–20.2 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup> require more material and energy to be used during production than is the case with a comparable conventionally powered vehicle. However, the materials used are not lost at the end of the vehicle's service life; instead, they can largely be recycled and reused. The high-voltage batteries also contain valuable materials that can mostly be regained by means of targeted recycling. In total, 95 percent of the EQC can be recovered. Our life cycle assessments take into account not only a vehicle's recyclability but also its CO<sub>2</sub> emissions. On the basis of the EU electricity mix, about 51 percent of the CO<sub>2</sub> emissions produced during the entire life cycle of an electric vehicle is generated during production. This is due in part to the complex battery production process.

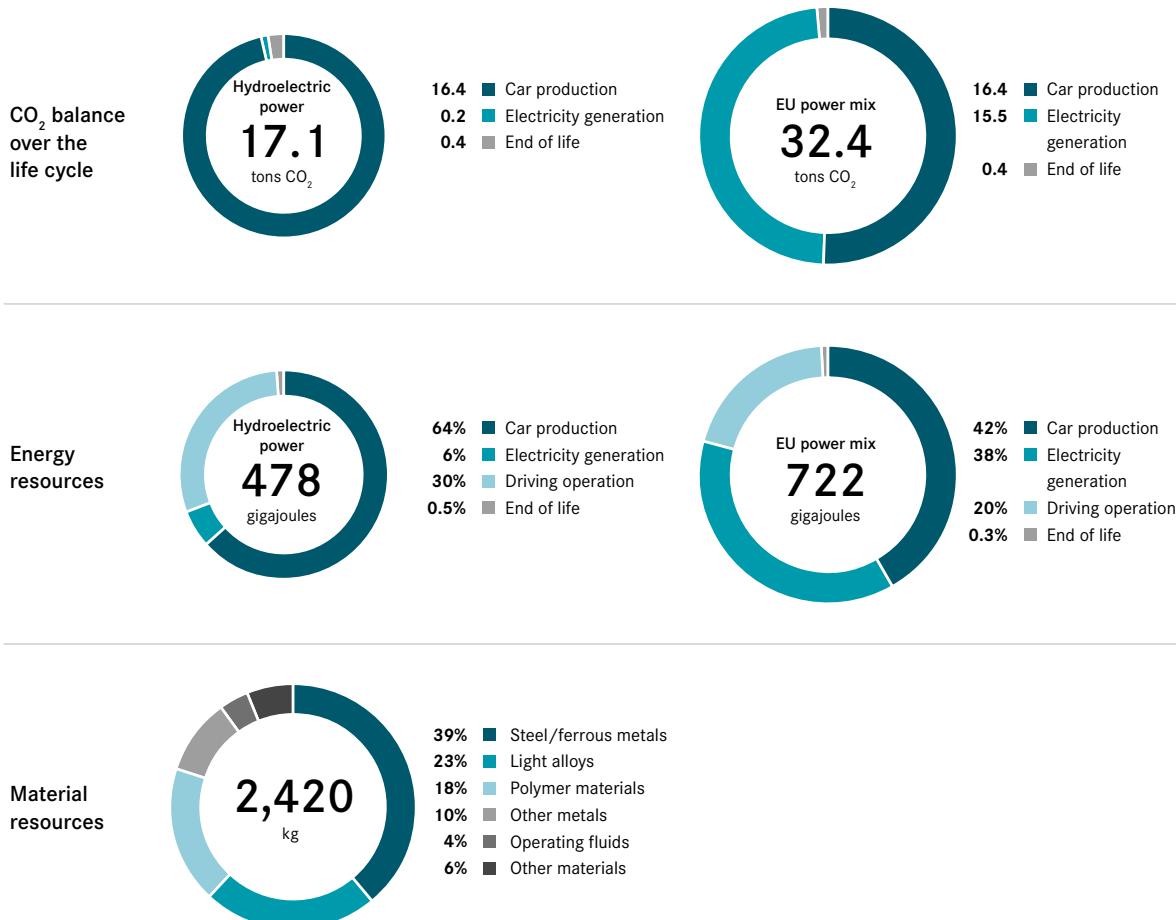
**Use phase.** The use phase plays a crucial role in the environmental footprint of the EQC. For the analysis of the use phase, we examined two sources of energy for charging the high-voltage battery. The EQC achieves the highest level of energy efficiency, and thus the lowest CO<sub>2</sub> emissions, when it uses renewably generated hydroelectricity. The analysis of the CO<sub>2</sub> emissions in the individual life cycle phases clearly shows that as more and more vehicles are electrified, the focus shifts toward the production of the high-voltage battery and the generation of the electricity used to charge the battery from the outside.

### 4.1 Materials – use of metals & non-metals vs. vehicles



<sup>1</sup> see appendix: labeling

## 4.2 Life cycle assessment of the Mercedes-Benz EQC\* – CO<sub>2</sub> emissions & use of resources



\* see appendix: labeling

### Life cycle assessments for creating resource-efficient vehicles

In order to evaluate the environmental compatibility of a vehicle, Daimler has for many years now been producing life cycle assessments. We systematically examine a car's environmental effects throughout its entire life cycle – from the extraction of raw materials and vehicle production to product use and recycling. The evaluation of resource efficiency also takes into account other factors such as the medium-term and long-term availability of raw materials, public acceptance, and the various social and environmental effects and risks. In the development of our cars, we use life cycle assessments to evaluate and compare different vehicles, components, and technologies.

### Finding the right mixture

Intelligent lightweight construction can reduce vehicle weight without sacrificing safety and comfort. In this context, the selection of materials as well as the component design and manufacturing technology also play an important role. Not every material is suitable for every component, for example in the context of occupant safety. 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 chassis 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.

For example, lightweight construction measures have enabled us to reduce the weight of the current E-Class in all assembly versions by up to 80 kg compared to the predecessor series. This has enabled us to increase its [payload](#) while at the same time reducing its fuel consumption. Since the middle of 2019, we have been using the new manufacturing technique FibreTEC3D for the E-Class and other vehicles. This technique employs ultra-light carbon components.

The weight ratios are different in [plug-in hybrids](#) and even more so in all-electric vehicles due to the battery's added weight. Because the battery can account for approximately 25 percent of total vehicle weight, we are working on making our batteries lighter.

## Implementing recyclability along the value chain

GRI 301-3

During vehicle development, we also prepare a recycling concept for every vehicle model. This concept includes an analysis of the suitability of all components and materials for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85 percent recyclable in accordance with ISO 22 628. Moreover, the European End-of-Life Vehicles Directive 2000/53/EC specifies that 95 percent of the materials in passenger cars and vans with a gross vehicle weight of up to 3.5 tons have to be capable of being reused or recovered. In addition to adhering to these requirements, we focus on the following measures:

- the resale of tested and certified used parts, for example through the Mercedes-Benz Used Parts Center (GTC),
- the remanufacturing of used parts,
- the workshop waste disposal system MeRSy (Mercedes-Benz Recycling System).

### Used Parts Center (GTC)

The Used Parts Center (Gebrauchteile Center – GTC) is a Group-owned specialized facility that has been dismantling more than 5,000 end-of-life vehicles per year since 1996. It ensures that as many parts as possible can be reused and resold. On average, one-fifth of the parts are approved for disassembly. However, the aim of disassembly is not only to remove used parts, but also to recycle materials such as copper cables, aluminum

and iron scrap, glass, plastics, and shock absorbers. Platinum and rhodium can be recovered from catalytic converters, and used tires can be processed into an additive for asphalt concrete used in road construction.

In addition, precious metals are contained in electronic waste such as circuit boards. One example is the gold coating of plug contacts. As an integral part of the recycling process chain, the GTC plays a major role in keeping raw materials in circulation.

### Remanufacturing

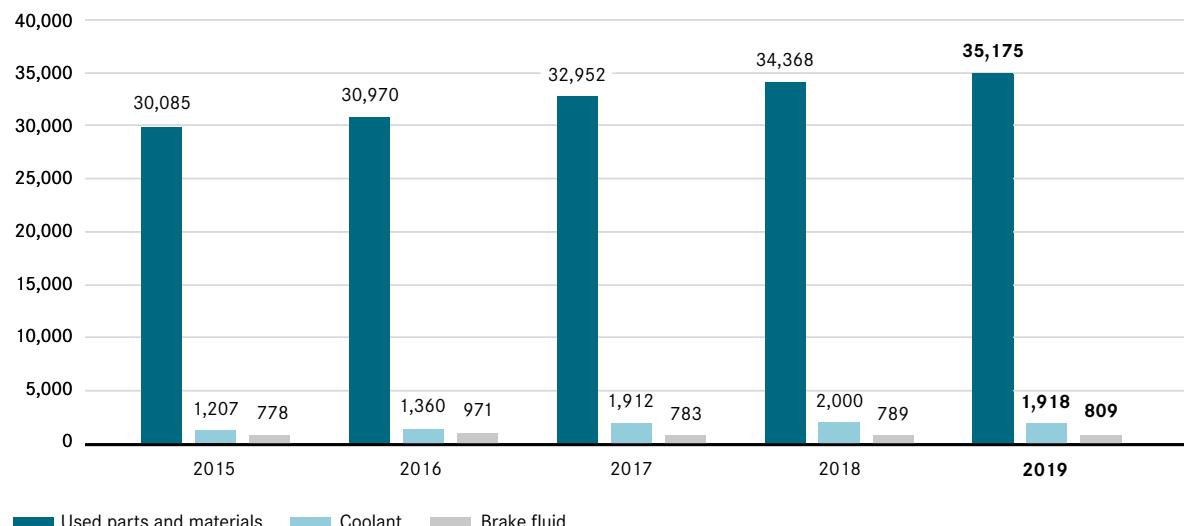
In order to prevent waste and the unnecessary consumption of energy and raw materials wherever possible, we remanufacture used parts from cars, vans, and trucks, such as engines and transmissions, to give them a new lease on life.

We remanufacture used original Mercedes-Benz parts in such a way that their functionality, safety, and quality correspond to those of a new part. To ensure this, the used parts taken out of our Mercedes-Benz vehicles are carefully disassembled, cleaned, and industrially remanufactured according to series standards. A calculation by the TÜV SÜD technical inspectorate shows what this means in concrete figures: For example, the remanufacturing of a truck transmission generates 445 kg less CO<sub>2</sub> and consumes 7,300 MJ less energy than the production of a new part.

We also want to offer remanufactured components as supplements of new parts to our customers using electric and hybrid vehicles. We already offer around 140 different parts in this

### 4.3 Removal of workshop waste with MeRSy

in t



segment, including HV batteries and related components. There is a demand for these parts, and this demand will probably grow considerably due to the electric mobility offensive.

#### Remanufacturing

##### **Battery recycling**

The recycling of drive batteries from plug-in hybrids and battery-electric vehicles will play a major role in keeping valuable materials in economic circulation. Daimler is currently operating or building nine production facilities for drive batteries on three continents. In this connection we are also setting up corresponding battery recycling and remanufacturing facilities. Moreover, our partnership with leading battery cell supplier Farasis encompasses not only the production of battery cells using electricity from renewable sources of energy, but also recycling and respect for human rights within the supply chain.

##### **Workshop waste disposal system**

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, catalytic converters, coolant/brake fluids, and packaging. In 2019, a total of 30,083 tons of old parts and materials were collected in Germany and recycled. Around 1,474 tons of coolant, 656 tons of brake fluid, 9,157 tons of old tires, and 2,448 tons of car glass were recycled.

#### **Use of resource-conserving materials**

GRI 301-2

Closing material cycles and the use of renewable raw materials are the main measures for the responsible utilization of resources.

One way that material cycles can be closed is by using recyclates. These are recycled plastics that come wholly or partially from processed production waste or old materials. Many parts made of recycled materials can be installed into an automobile, depending on the specific vehicle variant and the technical requirements for the component in question. One example is the all-electric Mercedes-Benz EQC<sup>1</sup>, which customers can order with seat cover textiles made of one hundred percent recycled PET bottles. In the basic variant of the E-Class, a total of 72 components with a combined weight of 54.4 kilograms can be manufactured with a share of high-quality recycled plastics. Typically, these include wheel arch linings, cable ducts, and underbody paneling, which are mainly made of plastic.

The use of recyclates is also getting 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 during vehicle production in order to strengthen the markets for recycled materials. For years now, we have therefore required the specifications of new Mercedes-Benz cars to include a minimum proportion of components containing recycled materials. This proportion varies, depending on the vehicle's model and series. There is no uniform requirement for all model series.

In order to increase the use of recycled materials and promote the networking of the Mercedes-Benz supply chain, we organize workshops about relevant topics concerning the use of plastic recyclates. At these workshops, our component and recyclate suppliers present newly developed recycled materials and the successful conversion of components. This enables the participants from the fields of development, materials engineering, and quality assurance to obtain first-hand information and directly discuss technical issues.

#### **Using renewable raw materials**

The use of renewable raw materials also offers us many advantages. For example, they can often help to reduce component weight. Moreover, their CO<sub>2</sub> balance is almost neutral when their energy is recovered, because only as much CO<sub>2</sub> is released as was absorbed by the plant during its growth. Last but not least, renewable raw materials as well as recyclates help reduce the consumption of fossil resources. We employ a broad range of renewable raw materials such as hemp, kenaf, wool, paper, and natural rubber.

The new EQC<sup>1</sup> shows what can already be achieved today. Many of the components of this all-electric car can partially be made of resource-conserving materials. For example, kenaf fibers are used for the load compartment cover and as paper in the honeycomb core of the load compartment floor. Here natural fibers are replacing mineral fibers such as glass fiber. All in all, 100 components and other small parts with a total weight of 55.7 kilograms are affected, including pushbuttons, plastic nuts, and cable fixings.

#### Key figures environment

#### Environmentally friendly and resource-conserving production (GRI 103-3)

<sup>1</sup> see appendix: labeling

## RESOURCE CONSERVATION

# Environmentally friendly and resource-conserving production

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

## Conserving resources, reducing investment related and operating costs

GRI-103-1 GRI 301-1

Conservation of resources, including everything from water to energy and raw materials, is crucial for reducing the ecological footprint of our manufacturing operations. Increasing our energy efficiency not only reduces our consumption of fossil fuels but also lowers energy consumption as a whole and thus the CO<sub>2</sub> emissions produced at our plants. The improvement of recycling processes and reduced consumption of raw materials at our sites have the potential to reduce waste. We are also striving to reduce water consumption.

Resource-efficient production helps to cut ongoing costs such as those for the procurement of water and energy and for wastewater discharge.

In order to boost resource efficiency, sometimes buildings and facilities have to be modernized and existing processes have to be optimized. For this reason, very ambitious resource-efficiency targets are often associated with investment-related costs that are juxtaposed to the company's profitability targets. As a result, we always have to compare the resource conservation potential with factors such as land usage, the cost of a new building or the modernization of production facilities, and many other influencing factors.

Besides climate, immission, water, and soil protection we also see it as an important task to protect biological diversity around our locations and to promote and maintain them. The decline of biodiversity is a continually growing global problem that can be caused, among other things, by the extensive exploitation of resources, the increase in pollutant emissions, and the environmental impact of industrial production. There are projects for fostering biodiversity at many Daimler AG facilities in Germany, including our plants in Sindelfingen, Gaggenau, Mannheim, Berlin, Bremen, and Hamburg, as well as at international locations such as Iracemápolis (Brazil) and Samano (Spain).

## How we are reducing resource consumption in production

GRI 103-2 GRI 303-1/-2

Our commitment to the environment is an integral component of our business strategy. For this reason, we have established environmental management systems at our manufacturing locations. In doing so, we are aiming to achieve efficient, high-quality production processes that are also environmentally compatible, safe, and in conformity with the law.

In addition, our Environmental Management Manual defines a standardized Group-wide framework for our environmental management systems. We are currently updating this manual, which describes our environmental and energy guidelines in detail and presents the key environmental protection provisions that are relevant to the Group.

## Environmental risks prevention

GRI 303-1

Compliance with the internal and external environmental protection requirements and the plants' reporting obligations is regularly checked as part of the environmental management activities at our production facilities. One of the key parameters is legally compliant operation in the areas of waste management, air emissions, soil/groundwater pollution, wastewater discharge, and the utilization of materials. In the event of any relevant environment-related incidents, we document them and take necessary measures to eliminate possible damage. The management systems are monitored by external auditors as part of the certification process ([① ISO 14001](#), EMAS, ISO 50001) and by internal environmental risk assessments (environmental due diligence process).

Already in 1999, we developed a methodology for assessing environmental risks at our worldwide production locations (environmental due diligence) as a tool for preventing risks to the environment and making them transparent worldwide. Since then we have employed this method both internally at all production locations in which the Group has a majority interest, as well as externally in connection with our planned mergers and acquisitions. We have a standardized process in place for inspecting and assessing the Group's consolidated production sites every five years.

The results are reported to the plants and their executive management. In addition, we annually monitor 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.

Since 2000 we have conducted four complete rounds of risk assessment at the Daimler production plants of Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks, and Daimler Buses. The fifth round of environmental risk assessments began in 2019. Apart from a small number of new risk aspects that we integrated into the individual theme areas in 2014, our environmental risk assessment methods and tools have remained unchanged. In this way we ensure that the results are comparable with those of the previously completed assessments. In 2019 we evaluated the production locations operated by the Mercedes-Benz Cars division.

As part of our preventive measures against environmental risks, we also evaluate possible risks related to the water supply and the disposal of wastewater. The results showed that none of our plants are subject to very high water-related risks. This was the result of an in-house analysis we conducted with the help of the leading online tool in this area, the WWF Water Risk Filter. Only one of our facilities had a water scarcity risk of 3.8 on a scale from 1 (no risk) to 5 (very high risk). All of our other facilities have, at most, a medium risk.

## Responsibility for resource conservation at the plants

The main responsibility for ensuring that resources are used efficiently is borne by the respective divisions, such as Mercedes-Benz Cars. The targets of each division are laid down by the respective management bodies, which regularly

report to the management boards of the divisional companies and the Board of Management as a whole. This is derived from the system of targets that we have defined in coordination with the Board of Management as part of our sustainable business strategy.

## Our targets

To enable us to achieve a CO<sub>2</sub>-neutral energy supply beginning in January 2022, our first step is to avoid and reduce CO<sub>2</sub> emissions. To this end, we are instituting measures such as systematically increasing the energy efficiency of production, switching to the procurement of exclusively green electricity, expanding the photovoltaic systems at our plants, and optimizing the supply of heat. Only as a last step, starting in 2022, will we offset unavoidable CO<sub>2</sub> emissions by conducting high-quality projects involving the purchase of first-rate CO<sub>2</sub> certificates ([① Gold Standard CERs](#)).

### On the road to CO<sub>2</sub>-neutral production

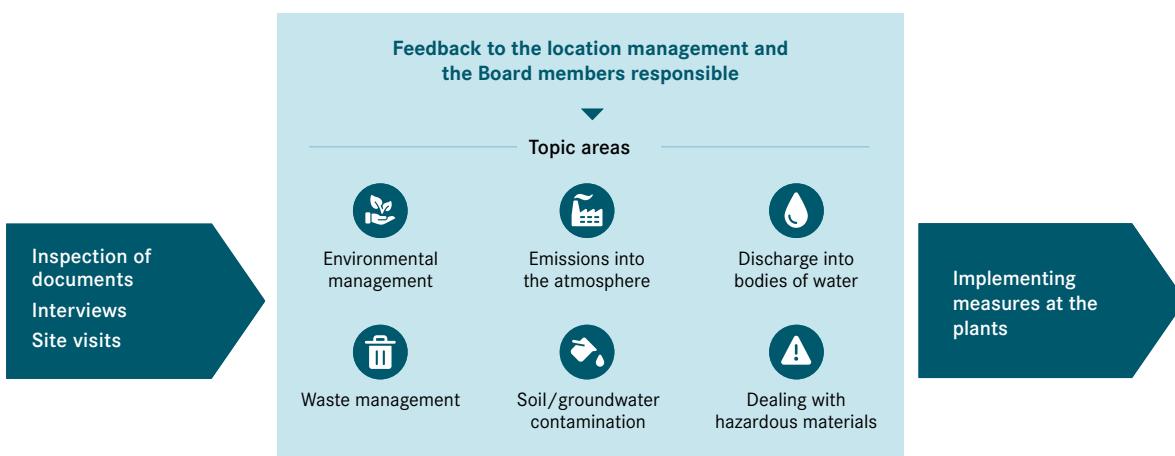
We also pursue the strategic corporate objective of continuously reducing resource consumption per vehicle and increasing resource efficiency. More specifically, we have set ourselves targets for water and energy consumption as well as for the waste for disposal per vehicle. Our resource conservation goals for the area of production between 2013/2014 and 2030 are currently being finalized for the truck and bus divisions.

## Measures for resource-efficient plants

GRI 103-2

Reducing energy and water consumption and producing less waste while recycling more materials: We employ a variety of measures in order to make the production of our vehicles as

### 5.1 Assessment of environmental risks



environmentally compatible as possible. This holistic approach is enabling us to gradually reduce the environmental footprint of our manufacturing operations.

## Boosting energy efficiency

GRI 302-3/-4

In order to reduce energy consumption in production, we are employing highly efficient ventilation and lighting systems as well as efficient process technologies such as new generations of robots and painting technologies. However, continuous improvements in ongoing operations and the smart management of halls and production facilities are also playing a part. One example of that is the production-oriented deactivation of machines during breaks in the manufacturing process.

At Mercedes-Benz Cars, we reduced the energy consumption per vehicle by 10 percent between the base year (average for 2013/2014) and the reporting year 2019. The results show that we are within our target range, which foresees a 43 percent reduction between the base year and 2030. At the Vans unit, we are striving to reduce energy consumption by 25 percent between the base year and 2030. In 2019 this reduction had reached 7 percent. The specific energy consumption in the Trucks & Buses unit was reduced by 3 percent.

Further information about energy efficiency and our energy management systems (as well as specific examples from the reporting period) can be found in the chapter

 [On the road to CO<sub>2</sub>-neutral production.](#)

## Using water efficiently

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

We achieve reductions in water consumption by closing our water systems as much as possible. This is done by treating process water, for example, and by using closed-loop cooling systems instead of open ones. Additional reductions are achieved by using water-conserving fittings in sanitary facilities as well as new highly efficient production processes.

New car painting facilities, for example, are increasingly using dry instead of wet separator technologies. In the painting process, solvents and overspray, which arise during painting and must be separated in a controlled manner to protect the environment, are not separated from the airstream by means of a spray of water, but are instead absorbed with the help of rock dust. Further reductions are made possible by innovative industrial cleaning processes such as the use of lasers for spot cleaning.

We have 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 any **① biocides**. As a result, the wastewater contains fewer harmful

substances. The volume of water that is purified by this method can be reused about three times more 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. Any risks that might result from contamination of the rainwater at a factory site are minimized in line with the provisions of an internal standard.

At Mercedes-Benz Cars, we reduced the water consumption per vehicle in the reporting year by 7 percent relative to the average for 2013/2014. That has brought us closer to our reduction target of minus 33 percent by 2030. At the Vans unit, we are striving to reduce water consumption by 28 percent between 2013/2014 and 2030. In 2019 we achieved a decrease of 12 percent. The specific water consumption in the Trucks & Buses unit was reduced by 17 percent.

## Reducing waste volumes

GRI 306-2/-4

We want to reduce the volumes of waste generated in our production as much as possible. As part of this effort, it is important to ensure transparency concerning the waste value streams in the production process 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.

At Mercedes-Benz Cars we have reduced the volume of waste for disposal per vehicle in the reporting period by 25 percent compared to the base year (average for 2013/2014). That puts us right on track to reaching our reduction target of minus 43 percent by 2030 compared to 2013/2014. At the Vans unit, we are striving to reduce waste for disposal per vehicle by 33 percent between 2013/2014 and 2030. In 2019 the specific waste or disposal per vehicle decreased by 31 percent.<sup>1</sup> The volume of disposable waste per vehicle in the Trucks & Buses unit was reduced by 89 percent.<sup>2</sup>

In the area of logistics, we are taking additional measures such as optimizing packaging materials and utilizing multiple-use load carriers. For example, at our 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. These have now been replaced with multiple-use steel load carriers that can be reused for a long time. Through this measure we are saving packaging materials equivalent to 3,200 trees annually.

<sup>1</sup> The reduction amounts to 23 percent if a reclassification of the disposable waste (according to the Daimler Group environmental guidelines) at a location outside Germany in 2017 is subtracted. As a result, the goal for 2030 is currently being reevaluated and will be readjusted if necessary.

<sup>2</sup> One of the reasons we achieved this high rate of reduction was the reclassification of foundry sands at our plant in Mannheim, which have been used since 2017 for sealing landfills.

## Waste reduction in catering

We are also working to raise our employees' awareness of the topic of waste reduction, for example by doing away with single-use plastic at our plant catering facilities. The Group's catering company in Germany, Daimler Gastronomie GmbH, provides around 40,000 employees with food and beverages daily at eleven locations in 30 staff restaurants and 66 company-owned shops. In 2019 Daimler Gastronomie focused on implementing a sustainable packaging strategy throughout Germany that consisted of replacing all single-use plastic items provided to customers buying take-out food and beverages. Plastic straws, for example, were abolished and customers buying take-out food were provided with wooden cutlery, paper bags for sandwiches, and sustainable bowls for soups and stews.

Thanks to these measures, Daimler Gastronomie has already reduced its plastic waste by 43.2 tons (compared to 2018). Another measure of this sustainable packaging strategy consists of creating more attractive multiple-use coffee cups and reducing or completely eliminating single-use coffee cups. In addition to implementing this packaging strategy, Daimler Gastronomie is also reducing the volume of foods on the menu that are associated with the unnecessary generation of CO<sub>2</sub>. Through its "Energy Source" line of vegetarian and vegan dishes and the "Awareness Day" initiative, Daimler Gastronomie is continuing to shrink its CO<sub>2</sub> footprint.

## Training sessions on environmental protection

We conduct training courses 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 environmentally friendly planning of plants and workplaces.

Legal requirements regarding the content and frequency of training courses must be complied with in some cases. These may differ depending on the location. In Germany, the corporate environmental protection unit offers annual training courses for qualifying local officers responsible for immissions management, water protection, and waste management.

In the reporting year the training programs at Daimler locations included mandatory training courses for new managers and newly appointed energy coordinators in the areas of production, logistics, and quality control, as well as intensive training courses for production engineers. In addition, courses focused on energy were regularly conducted at the production units and informational events were incorporated into works meetings.

## Resource-conserving battery production

To manufacture electric vehicles, we need drive batteries that use lithium-ion technology. The production of these batteries requires the intense use of resources and energy.

To achieve improvements in this area, in the future we will use a climate-neutral battery production process and promote battery recycling.

### [On the road to CO<sub>2</sub>-neutral production](#)

### [Resource-efficient vehicles](#)

## Nature conservation and biodiversity

### GRI 304-3

Our internal recommendations for promoting biodiversity include practical tips for creating semi-natural habitats at our locations. They encourage the active promotion of biodiversity and greater consideration of this topic when construction work is being planned, as well as the implementation of 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 transformed green spaces around our plant in Gaggenau and the Daimler Trucks plant in Rastatt into biotopes. For a number of years now, the German environmental organization NABU has provided advice, support, and documentation for our successful programs benefiting local flora and fauna. Marginal strips of land and previously little-used plots of ground have also been renatured at many other locations.

On June 5, 2019, World Environment Day, we officially opened a green area covering 19,000 m<sup>2</sup> on the grounds of the Mercedes-Benz Global Logistics Center in Germersheim. On this area, which had previously lain unused, 149 trees, 805 shrubs, 680 perennials, and 500 species of grass were planted. The planners made sure to include a wide variety of local species. The staggered flowering of different species ensures that insects can find nectar to feed on throughout the year. The apprentices at the logistics center also worked on this project, building an insect hotel and nesting aids for birds and bats on the center's grounds. The project, which originated in an employee workshop, is making an important contribution to biodiversity at this location. Including the employees early on in the shaping of this project has created a symbiosis between a creative atmosphere for work and leisure and semi-natural biotopes.

## How we assess the effectiveness of our management approach

### GRI 103-3

The goal set by the Cars division for its specific waste volume in the period until 2022 has already been almost reached ahead of schedule. According to the current forecast, we will not quite reach the goal for our specific energy consumption by 2022. We have therefore intensified our work on this project. According to current knowledge, the goal for our specific water consumption

in the period until 2022 can be reached. We continuously update our comprehensive reporting database on these projects.

## Energy requirements for products and services

GRI 302-5

The electricity consumption per car has increased slightly by comparison to the prior year. This is due to the decrease in production volume at Mercedes-Benz Cars. At Trucks & Buses, the electricity consumption per vehicle increased also, despite implemented energy efficiency measures, due to a decrease in production volume. At Mercedes-Benz Vans, electricity consumption per vehicle decreased.

If the number of vehicles produced decreases, this does not mean that energy consumption will lessen to the same degree. That is because the production plants have a base load of energy consumption that is independent of the number of vehicles that are currently being produced. For example, they have to ventilate, heat, and illuminate the production halls and keep the dryers in the paint shops at a constant temperature.

Besides, not all production facilities can be switched into standby mode during breaks in production. As a result, we always use up to 70 percent of the energy required for full capacity utilization, no matter how many vehicles are manufactured during production days. We intend to continuously reduce this proportion in our newly built plants.

### Key figures environment

#### Energy consumption (in GWh)

GRI 302-1

	2015	2016	2017	2018	2019
<b>Total</b>	<b>10,940</b>	<b>10,895</b>	<b>11,340</b>	<b>11,607</b>	<b>11,287</b>

#### Water consumption (in 1,000 m<sup>3</sup>)

GRI 303-3

	2015	2016	2017	2018	2019
<b>Total</b>	<b>14,966</b>	<b>15,104</b>	<b>14,014</b>	<b>14,381</b>	<b>13,486</b>

#### Waste by disposal method (in 1,000 t)

GRI 306-2

	2015	2016	2017	2018	2019
Non-hazardous waste for disposal	74	86	82	40	<b>28</b>
Non-hazardous waste for recycling (without scrap metal)	269	223	239	318	<b>303</b>
Scrap metal for recycling	866	828	858	877	<b>830</b>
Hazardous waste for disposal	47	21	15	10	<b>10</b>
Hazardous waste for recycling	71	71	75	82	<b>79</b>
<b>Total</b>	<b>1,328</b>	<b>1,229</b>	<b>1,269</b>	<b>1,328</b>	<b>1,249</b>

## RESOURCE CONSERVATION

# Designing raw material supply chains sustainably

Our suppliers play an important role in our efforts to conserve resources. During our training sessions, we cooperate with our suppliers to develop strategies for reducing emissions and discuss the use of secondary materials. As a member of various raw material initiatives, we are also contributing to improving the environmental footprint of important raw material industries.

## Conserving valuable raw materials

GRI 103-1

Much of the environmental impact of vehicle manufacturing comes not from our own facilities but from our upstream supply chains. The extraction and treatment of metallic raw materials in particular can have negative environmental consequences. Besides, metallic raw materials account for a very large share of a vehicle's total weight. That is why we also demand that our suppliers comply with environmental regulations, and we provide them with the necessary know-how in this area. In this way we are contributing to the conservation of valuable resources and to a secure long-term supply of raw materials for our production processes.

## How we promote resource conservation in the supply chain

GRI 103-2 GRI 308-1

Our procurement units are jointly responsible for the Daimler Supplier Network cooperation model, and they strive to ensure that the materials we need are procured responsibly.

Our Supplier Sustainability Standards define our requirements for working conditions, human rights and business ethics, and environmental protection. For example, they call for the use and further development of technologies that conserve water and energy, the implementation of strategies for reducing emissions, and the reuse and recovery of resources. These standards also regulate our handling of hazardous substances. Chemicals and other materials that could pose a threat if they are released into the environment must be identified. A hazardous materials management system must be set up in order to safely handle, transport, store, recover or reuse, and dispose of such materials.

We also expect our suppliers of production materials to operate with an environmental management system that is certified according to [ISO 14001](#), EMAS (Eco-Management and Audit Scheme) or other comparable standards. The same also applies to suppliers of non-production materials, depending on their risks. As part of our risk analysis process we check whether suppliers have environmental certificates. If this process shows that 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.

### Sustainable supply chain management

We receive internal and external complaints about possible violations of environmental regulations in our supply chain through our BPO whistleblower system.

### The whistleblower system BPO

## Measures for conserving resources

GRI 103-2

As part of our sustainability business strategy, we have set ourselves the goal of decoupling our resource consumption from our growth. To this end, we are working with a large number of contractors along our supply chain. For example, we conduct training courses for our suppliers and actively participate in various raw material initiatives.

### Dialog and qualification measures at Mercedes-Benz Cars & Vans

We offer our suppliers comprehensive training courses on topics related to sustainability. Environmental topics also play a central role in these courses, especially the use of currently available environmental management systems.

In addition to general topics, in our training courses we also address current developments. In the course of a risk analysis, we have identified steel and aluminum as especially important materials within the context of climate protection and resource conservation. We need large volumes of these materials in order to produce vehicles; at the same time, their extraction and processing consume large amounts of energy. However, both of these materials can be successfully recycled, and at the end of their respective life cycles they can be reintegrated into the overall manufacturing process. In 2019 we talked to our suppliers about CO<sub>2</sub> emissions and the use of secondary materials and discussed potential measures and goals. We mainly talked with suppliers to our body-in-white production areas. In addition, we defined polymers and batteries as focal areas at Mercedes-Benz Cars.

### Climate protection in the supply chain

## **Commitment to raw material initiatives at Mercedes-Benz Cars & Vans**

As part of our commitment to the sustainable procurement of raw materials, we participate in a variety of raw material initiatives. In addition to the area of human rights, these initiatives deal with environmental issues, with a particular focus on aluminum and steel resources.

### **Responsible Steel Initiative**

Steel accounts for the largest proportion of material used in automobile construction. It is also the world's biggest raw materials industry. The production of steel is very energy-intensive, and as a result it is responsible for a large proportion of the CO<sub>2</sub> emissions generated during the production phase. The Responsible Steel Initiative is increasing transparency in the supply chain by developing a certification system. This system defines requirements for the responsible use of resources such as water and energy and calls for the smallest possible environmental impact of wastewater, airborne emissions, and waste in the steel production process. The requirements in the certification system have been defined cooperatively by a number of stakeholders including Mercedes-Benz Cars.

### **Aluminium Stewardship Initiative**

The Aluminium Stewardship Initiative was developed in order to define worldwide standards along the entire value chain of aluminum and to promote the conservative use of resources. The "Responsible Aluminium Standard" combines ethical, environmental, and social aspects. Its focal areas are greenhouse gas emissions, airborne emissions, wastewater, and waste, as well as water and biodiversity. In some bidding procedures we require the suppliers to already be certified according to this standard.

## **How we assess the effectiveness of our management approach**

GRI 103-3

### Sustainable supply chain management

## LIVABLE CITIES

# Rethinking urban mobility

More and more people around the world are moving to cities. 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 solutions are therefore more important than ever. Daimler is helping to shape this transformation with its products and services.

## Rapid growth requires smart mobility

GRI 103-1

Nearly 70 percent of the world's population will be living in urban areas in the year 2050, according to the United Nations. What does that mean for urban life? How can we make urban spaces more sustainable while at the same time ensuring that we can meet the needs of the increasing number of people who will be living in cities? Questions like these must be answered jointly by different actors. We at Daimler understand our responsibility because mobility plays an important role in urban life.

At the moment, increasing traffic volumes still mean higher emissions. That is why we are working on making urban mobility more efficient, safer, and more environmentally friendly – and on enabling CO<sub>2</sub>-neutral mobility in the medium term. Products and services from Daimler are already helping to improve the traffic situation in cities. We want to do even more in the future, however – for example by helping to make streets safer, by intelligently linking various mobility solutions, and by making it easier for drivers to park their cars.

## How we are helping to shape urban mobility

GRI 103-2

We seek to improve personal mobility and the transport of goods in cities. We have identified three fields of action that will help us achieve this goal:

- We offer private and business customers in metropolitan areas safe, low-emission products combined with accompanying services.
- We are supporting mobility that goes beyond privately owned cars by investing in new mobility services and platforms.
- We are helping to create smart cities by understanding cities' needs, combining existing solutions from Daimler, and developing new services.

Daimler Financial Services AG was renamed Daimler Mobility AG in mid-2019. The company focuses on three core areas: leasing, financing, and insurance solutions; fleet management services; and digital mobility solutions. Daimler Mobility is also a strategic investor in mobility services such as FREE NOW, SHARE NOW, StarRides, and Blacklane.

These equity interests are managed by the Digital & Mobility Solutions executive division at Daimler Mobility AG.

### ↗ Daimler Mobility AG

In April 2019, the Urban Mobility unit was also launched. Its aim is to make mobility in cities safer, more efficient, and more sustainable. Although the Urban Mobility team is part of the Mercedes-Benz Cars organization, its activities and decisions apply throughout the Group. The unit is working closely with Daimler's business units and representatives from cities to develop new solutions, products, and business models that help improve the quality of urban life. Associated projects are currently being implemented in Stuttgart and other cities around the world.

The team focuses on the following areas:

- Understanding cities: Continual exchange of information and ideas with cities in order to be able to better understand their requirements with regard to urban mobility, adapt the Daimler AG portfolio accordingly, and prepare the Group for future developments.
- Development of data products: Use of vehicle data to develop new products that can help improve safety in urban traffic or optimize traffic flows and make them more efficient.
- Urban space development: Implementation of sustainable mobility concepts, such as mobility hubs and concepts for managing mobility during specific events and in specific neighborhoods.

The goal of the associated partnerships is to jointly develop solutions that benefit all parties – i.e. Daimler, cities, residents, urban planners, universities, and other institutions – and eventually lead to viable business models. Possible approaches here include the further development and consolidation of existing Daimler products and the development and testing of new solutions based on the needs of the participating cities. The Urban Mobility team views itself as a mediator between cities and the Daimler Group. The team therefore also focuses on the early identification of new urban mobility requirements and trends that are then incorporated into the development of vehicles and services. In this manner, the team supports the development of sustainable mobility concepts in various areas and units throughout the Group.

In 2018 our mobility management activities for the Group were consolidated within the f.l.o.w. initiative. f.l.o.w. is a German acronym for "Fortschritt, Leben, Ökologie und Wirtschaft" (mobility, lifestyle, ecology, and economy). Through various traffic-reducing measures and offers under the umbrella of f.l.o.w., employees can contribute to reducing CO<sub>2</sub> emissions by reducing the number of road kilometers traveled and to making traffic in cities more fluid.

## Measures for establishing an efficient and environmentally friendly mobility mix

GRI 103-2

Urban residents can already make use of numerous mobility services that make it easier for them to travel around in cities. We intend to make this mobility mix even more efficient in the future and also improve the connections between the various services. This also includes expanding the use of electric mobility.

### On the move with environmentally friendly public transport

We continue to work hard on the electrification of our vehicles, focusing particularly on vehicles that operate in urban areas. Daimler Buses has been offering a locally emission-free city bus, the all-electric Mercedes-Benz eCitaro, since 2018, thereby contributing to environmentally friendly local public transport in cities and metropolitan areas. Manufacturing of the battery-powered eCitaro is running at series-production level at our plant in Mannheim. Orders received for the eCitaro in 2019 numbered in the hundreds, which demonstrates the high level of customer acceptance for this electric bus. eCitaro buses are already in regular service in cities such as Berlin, Hamburg (both Germany), Oslo (Norway), and Ystad (Sweden), as well as in cities in Switzerland. Products such as the eCitaro make an important contribution to climate protection, air quality, and the reduction of noise emissions in cities.

We also develop additional technologies with the aim of putting them to use in regular bus service operations.

- Beginning in 2020, we will be offering the eCitaro as an articulated bus, and at the end of this year it will also be available with solid-state batteries (lithium polymer batteries).
- The launch of the eCitaro with the next generation of batteries is scheduled for 2021.
- From 2022 onwards, we would like to introduce the battery-electric bus with a [fuel-cell range extender](#) to the market.

The eCitaro is part of Daimler Buses' overall eMobility system. In order to support our customers who are making the transition to electric bus fleets, we offer advice on different use scenarios. For example, we analyze individual bus lines and routes and collect data on everything from route lengths to passenger

numbers and average bus speeds. A simulation program developed in-house then determines the various energy requirements. Experts use this information to make precise calculations and recommendations. They take into account various aspects such as the charging infrastructure, energy consumption, the connected load of the power supply at the bus depot, and the use profile of the eCitaro buses in service.

The use of electric buses also leads to significant changes in maintenance, repair, and service operations. That is because high-voltage technology requires transport companies to utilize different types of operational processes. For this reason, Daimler Buses' OMNIplus service brand has developed an eMobility service concept that allows transport companies to select specific modules that meet their needs. These range from systems for supporting customer repair centers to the provision of maintenance and repair services at our competence centers and the comprehensive servicing of electric vehicles at customer repair centers. OMNIplus has also introduced customized service contracts for the eCitaro that offer maintenance and repair services designed especially for electric mobility. In addition, OMNIplus offers an Eco Training program for bus customers and their drivers that promotes an environmentally friendly driving style.

### Smooth and efficient bus traffic flows

The bus transport system known as Bus Rapid Transit (BRT) enables fast, convenient, and cost-effective mobility in cities. BRT systems 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.

### Use of electric buses

Integrating electric buses into public transport systems operations poses several challenges. Battery charging processes and the length of the routes to be traveled on one charge need to be optimally planned, for example. At the beginning of 2019, Daimler Buses acquired a 5.25 percent interest in IVU Traffic Technologies AG, which offers integrated solutions for electric bus resource planning and fleet management.

We are working together with IVU Traffic Technologies AG to promote the use of electric buses in public transport systems.

### Digital solutions for bus companies

Digitalization and connectivity offer opportunities to align bus mobility solutions more efficiently with specific application scenarios. The OMNIplus ON portal integrates and consolidates all of the associated digital services in a clearly structured manner. For example, bus companies can use the portal to personally access all the services they have ordered. 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 repairs at an early stage.
- **ON monitor** combines telematics services that provide bus companies with fleet information such as vehicle fuel consumption and operating data.
- **ON drive** supports drivers in their daily work. For example, the Remote Bus app allows vehicle information (e.g. on tire pressure or fuel tank levels) to be accessed via smartphone.
- **ON commerce** allows bus companies to quickly and directly procure items, such as spare parts from the OMNIplus eShop.

### Well connected: Making goods transport safer and more efficient

Cities are not only hotspots for personal mobility; a large volume of goods also needs to be transported within them 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. Our all-electric eActros “Innovation Fleet” is currently being extensively tested by customers in Germany and Switzerland. The first vehicles from the fleet were handed over to customers in 2018.

Our digital solutions also help to make urban transport more sustainable.

### Mercedes PRO connect

Digital services from Mercedes PRO connect provide our fleet customers with relevant data that can help them optimize the driving style of their drivers in order to reduce fuel and energy consumption and vehicle wear and tear. The system enables fleet operators ranging from small businesses to major clients to motivate their drivers to adopt an anticipatory driving style and to then offer drivers training courses as needed. This in turn helps reduce vehicle downtime and repair costs, and in certain cases can also lead to lower insurance rates. Mercedes PRO connect is currently available in 19 European countries and in the United States.

#### [Mercedes PRO connect](#)

### HABBL

HABBL is another system that helps business customers conserve resources. Courier, express, and postal service companies, transport and logistics companies of all sizes, 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. HABBL especially generates added value by

- efficiently communicating the routes to be traveled, which helps prevent unnecessary trips,
- decreasing downtimes and waiting times, thus reducing the amount of space occupied by vehicles, and
- preventing damage by ensuring better handling of cargo.

### The f.l.o.w. initiative for sustainable employee mobility

We also actively support our own employees in their efforts to utilize sustainable mobility solutions. Our f.l.o.w. initiative, for example, develops and combines various concepts and measures that enable our employees to avoid using a car for their commute or business trip. During the reporting year, we once again offered employees a free public transport ticket for commutes and business trips in the Stuttgart region on those days when the city of Stuttgart issued particulate alerts. In the alert period in 2018/2019, a total of 2.7 million kilometers of driving and more than 600 tons of CO<sub>2</sub> emissions were thus avoided. Our “Wake Up & Ride” campaign in 2019 offered discounts on purchases of bicycles and electric bikes throughout Germany, and we also offered an on-site bike repair service at nine Daimler locations. The “flinc”  [ridesharing](#) app was launched at our Sindelfingen site. Our employees can use the app to establish their own personal ridesharing commuter network with Daimler colleagues. As of December 2019, the app already had 12,000 users who had arranged approximately 120,000 shared rides. This translates into savings of 3.3 million traveled kilometers and 745 tons of CO<sub>2</sub> emissions. We are testing new f.l.o.w. measures at selected Daimler locations, and if they are successful we will roll them out at other Daimler sites.

The f.l.o.w. initiative will not be limited to Daimler or the Stuttgart region. Other companies are invited to take part in it as well. The initiative’s measures can be scaled to accommodate other companies, various commercial zones, and even entire cities, which means that Daimler can use f.l.o.w. to further expand its pioneering role in the field of sustainable mobility. f.l.o.w. was initiated by Daimler’s “Lab1886” innovation laboratory and developed with the help of the Factory Planning and External Affairs units, the Works Council, and the HR department.

#### [f.l.o.w. initiative](#)

## Innovative parking solutions

Finding a parking space in inner cities can be extremely difficult. The challenge does not just involve finding a space, as maneuvering in and out of one can often be difficult as well. Mercedes-Benz offers car drivers support for both challenges with state-of-the-art assistance systems, the intelligent networking of vehicles and infrastructure, and smart services for parking. This benefits drivers, the environment, and cities. That is because the faster a parking space can be found, the less traffic is created. The Mercedes-Benz systems also make it possible to use existing parking spaces more efficiently.

Our innovative solutions for parking ease the burden on drivers in every phase of the parking process – from the search for a space and actual parking to the retrieval of the car. On-Street Prediction, Real-Time Information, and Off-Street Information – these three Mercedes me connect services make it easier for drivers to find a parking space and can be used with the Mercedes me app in conjunction with the MBUX (Mercedes-Benz User Experience) infotainment system.

The Mercedes me Car Sharing app allows drivers of A-Class vehicles to share their car with a specified group of users, so that it can be used during the time it would normally be parked. The app, which went into operation in September 2018, thus enables friends, family members, or colleagues to easily book and borrow the A-Class for a specific period.

The chark app makes it easy and convenient to take delivery of packages and parcels in your vehicle without any need for a driver to be present. The service thus expands the range of benefits offered by digital vehicle access systems. The chark corporate startup has been testing the app in the Stuttgart region since 2018. The app requires a Mercedes-Benz vehicle that is enabled for Mercedes me connect.

## Vision URBANETIC: The vision of autonomous driving in cities

With our Vision URBANETIC study, we have developed a forward-looking mobility concept for the use of self-driving vans in a holistic ecosystem. Our objective with this concept vehicle is to be able to transport more people and goods with fewer vehicles on an almost unchanged road infrastructure in order to ease the traffic burden in inner cities, while at the same time meeting the increasing requirements associated with mobility. The solution is a vehicle that can transport both people and goods. Depending on the body structure used, the Vision URBANETIC can serve as a [❶ ridesharing](#) vehicle for up to twelve passengers or as a cargo transport van that can hold as many as ten Euro pallets. The Vision URBANETIC is based on an autonomous electrically powered chassis integrated into a sophisticated IT infrastructure – the vehicle control center – that analyzes supply and demand within a defined area in real time. This IT system can also take into account local information about nearby events. The vehicle control center can identify a group of people in a specific area, for example, after which it

automatically orders vehicles to meet the increased ride-sharing demand quickly and efficiently.

Full connectivity and a smart control system enable the Vision URBANETIC to not only analyze information but also learn from it. As a result, the system can predict and respond to future needs and thus optimize its processes accordingly in order to shorten waiting and delivery times and avoid congestion. In the long term, the concept vehicle is expected to relieve the burden on city centers and contribute to an improved quality of urban life.

## Strategic investments in the future of mobility

Daimler acts as a strategic investor in the growing market for urban mobility services via its Daimler Mobility AG (DMO) subsidiary. The focus here is on participation in the YOUR NOW joint ventures, in which Daimler Mobility and the BMW Group have an equal interest. These joint ventures combine [❶ ride hailing](#), car-sharing, and parking services with multimodal platforms and the charging of electric vehicles. The launch of a new holding company on January 1, 2020 supports the efficient controlling of the three pillars that YOUR NOW focuses on: FREE NOW & REACH NOW, SHARE NOW, and PARK NOW & CHARGE NOW.

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 was launched in China at the end of 2019. Daimler has also had an interest in the Berlin-based chauffeur and concierge services provider Blacklane since 2013. In addition, Daimler Mobility AG has invested in other mobility services such as Bolt and Turo.

## YOUR NOW

Mobility services like the YOUR NOW joint venture group contribute to making urban mobility more sustainable. The carsharing provider SHARE NOW operates around 3,500 fully electric vehicles 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 site. FREE NOW has stated that it intends to further increase the share of such vehicles in the overall fleet, as the demand for them already significantly exceeds the current supply. 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.

### YOUR NOW

#### hive

hive is an electric scooter service offered by FREE NOW. hive was first introduced in Lisbon in 2018 and is now available in ten European cities and six countries (France, Italy, Greece, Austria, Poland, and Portugal). Customers can use the hive app to easily locate and activate an electric scooter or electric bike for a trip and then lock it again at their destination. Electric scooters are ideal for short trips – and are often a faster means of transport than a car for distances of one or two kilometers. hive was integrated into the FREE NOW app in 2019. The batteries in hive

electric scooters are recharged with electricity from renewable sources.

## 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” make an important contribution to improving urban quality of life by making leading mobility and transport solutions available. For this reason, the initiative has also been integrated into the Daimler AG management system.

Our goal is to position the Urban Mobility team as a pioneer in the provision of mobility services for cities and thus take on a leading role among car manufacturers. As a cross-divisional unit, Urban Mobility brings together various activities and services and creates synergies within Daimler AG.

We are already receiving sound feedback and developing important strategic concepts as a result of our extensive interaction with officials from city governments and leading experts in the field of urban mobility.

## TRAFFIC SAFETY

# Assistance systems: Prevention is the top priority

We are working to make our vision of accident-free driving a reality, and we view ourselves as a pioneer in the field of safety and assistance systems. Connectivity and digitalization are further increasing the potential offered by such systems. We are utilizing our integral safety concept to consistently exploit this potential.

## Greater safety on the road

GRI 103-1

The World Health Organization intends to cut the number of fatalities and injuries on roads in half by 2020 as compared to 2011. Moreover, the EU has set itself the target of reducing the number of traffic deaths in Europe to nearly zero by 2050. Vehicle manufacturers can help society achieve these goals by equipping their vehicles with safety and assistance systems, even though our ability to influence driving behavior and traffic infrastructure is limited.

One of our key obligations is to ensure the safety of our customers and all other road users. As early as 1969, Mercedes-Benz experts began conducting in-house accident research on critical traffic situations and real-life accidents involving Mercedes-Benz vehicles.

Vehicle safety and traffic safety standards have become much more stringent since that time. Daimler supports political efforts to achieve further progress by establishing appropriate framework conditions. Vehicle safety is one of the main focus areas of our vehicle development operations. In this way we want to contribute to traffic safety.

To this end, we launched the “SAFE ROADS” CSR initiative in 2015, first in India and then in China as well. The initiative is designed to increase public awareness of traffic safety, especially in countries in which a large number of accidents occur. A “SAFE ROADS India Summit” is held every two years (most recently in 2019) with representatives of transport agencies and various interest groups. In 2020, we are examining possibilities to expand the initiative to other countries.

The global MobileKids initiative for traffic safety is another example of our efforts to improve road safety for everyone. MobileKids was developed with the help of experts and has been active worldwide since 2001. The goal is to make road safety and accident prevention a natural part of the everyday lives of parents and children. Daimler’s presence around the globe enables the Group to align MobileKids activities with individual country-specific circumstances and to work with local partners when organizing activities. MobileKids marks the first time that traffic safety efforts have focused on a standardized concept to address children around the world.

 [Corporate citizenship](#)

## How we evaluate and improve vehicle safety

GRI 103-2 GRI 416-1/-2

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.

While doing so, we naturally take into account increasingly stricter regulations or even go beyond them. We have developed and introduced many solutions. For example, within the framework of the revision of its directive on the general safety of motor vehicles, the EU has decided, among other things, that turning assistance systems be made mandatory for all trucks and buses as of 2024. This regulation also requires the use of assistance systems that monitor the areas in front of and behind the vehicle.

In addition to external regulations, our safety efforts are guided by our internal Daimler AG Product Safety Policy, which describes the requirements, tasks, processes, and responsibilities with regard to product safety and product liability prevention. The policy is designed to avoid the risk of:

- defective or unsafe products making their way onto the road,
- Daimler AG, as the manufacturer of such products, having to assume liability for any potential personal, property, or consequential damages as a result of statutory provisions, and/or being subject to significant fines for non-compliance with such provisions, or being faced with a situation and
- individual employees being held criminally responsible.

Our work focuses on our holistic “Integral Safety” concept, which has been applied at the company for decades now. We first used this concept in the late 1990s to describe how we had divided the utilization of vehicle safety systems into four phases for supporting drivers: firstly while driving, secondly in dangerous situations, thirdly in the event of an accident, and fourthly after an accident. In all four phases, the focus is on real traffic and accident events.

Systems that assist drivers while driving (phase 1) and that can intervene in the vehicle’s operation in a dangerous situation (phase 2), as well as preventive occupant protection systems (phase 2 – such as PRE-SAFE®), are becoming more and more effective as the technology for monitoring the surrounding traffic situation improves.

Cutting-edge technology sensors linked with networked algorithms form the basis of so-called sensor fusion technology. Here, data from various sensors are merged in one or more control units and thus provide system-relevant data for the respective functions.

Our Trucks, Vans, Buses, and Cars divisions are closely networked with one another as well as with Group Research. As a result, all units at the Group benefit from the experience and developments of the others. In line with the Integral Safety concept, we can thus call at any time upon the expertise that exists throughout the Group.

## Measures for ensuring safe vehicles

GRI 103-2

Daimler intends to significantly increase safety in road traffic by means of state-of-the-art driver assistance systems and additional vehicle-based protection systems, always with the vision of accident-free driving in mind. Depending on the segment and the customer requirements in question, we utilize a variety of closely linked safety systems as needed. Thanks to state-of-the-art information technology and the dedication of our engineers, we are able to further improve these systems on a continual basis.

### Cars: Potential and performance

#### ESF 2019

Mercedes-Benz's presentation of its new Experimental Safety Vehicle (ESF) 2019 during the International Motor Show in September 2019 offered a look at some of the ideas our safety experts are currently working on. The ESF 2019, which is based on the new Mercedes-Benz GLE plug-in-hybrid (fuel consumption combined: 1.3-1.1 l/100 km; electric power consumption combined: 28.7-25.4 kWh/100 km; CO<sub>2</sub> emissions combined: 34-29 g/km)<sup>1</sup>, features a holistic safety concept which can be used in a vehicle that can be driven both manually and in a fully automated mode (<sup>1</sup> [SAE Level 4](#)). Among the more than 20 innovations are both near-series developments and ideas that reach far into the future.

#### New V-Class with 13 assistance and safety systems

Five years ago, the V-Class redefined safety standards in its segment with ATTENTION ASSIST and the Crosswind Assist system, which keeps drivers on course in strong wind gusts. Since 2019, the V-Class can also be ordered with Active Brake Assist. The system can identify the danger of a collision with a vehicle ahead, in which case it emits a visual signal and a warning tone. If the driver reacts to the warnings, the system increases the braking pressure to the level needed to avoid a collision. If the driver fails to react, Active Brake Assist provides support with whatever type of braking maneuver might be necessary. In urban traffic, Active Brake Assist can also react to stationary obstacles or pedestrians crossing in front of the vehicle. The High-beam Assist Plus system is another new feature in the V-Class.

This system assists drivers when the high beam is turned on by keeping the roadway continuously well illuminated without dazzling drivers of vehicles in front. Up to 13 assistance and safety systems are available for the V-Class and the Marco Polo camper van variant.

### Vans: Assistance systems, training, and protection against high-voltage contact

Whether internal combustion or electric vehicle: As with all other series-produced vehicles of the brand, high safety standards apply here as well.

#### Mercedes-Benz Sprinter

The systems installed in the new Sprinter include the radar-based Active Distance Assist DISTRONIC and Active Lane Keeping Assist. The Crosswind Assist is standard; this makes transporter journeys significantly safer, especially at higher speeds. The range of assistance systems is rounded out by the modular Parking Package, whose numerous sensors and backup 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 bird's-eye view of the van. The Blind Spot Assist system, which is available as an option, monitors the areas directly beside and behind the vehicle.

#### Van training

More than 50,000 drivers have participated in the "Van Training on Tour" program since 2003. Here participants at special driver training centers are taught how to use the available safety systems in Mercedes-Benz vans in different situations. In 2019 we suspended and then extensively revised the program, which will be relaunched with its new concept in 2020.

#### Safety in electric vans

Our batteries have a high level of concept safety by virtue of a protected installation position. Additional safety specifications provide a level of intrinsic safety that goes far beyond mere compliance with official standards. For example, the batteries in our electric vans are protected against mechanical damage from external sources by special shielding in the vehicle underbody. Our batteries are also equipped with a multi-stage safety system that includes temperature and voltage monitoring features, among other things. These monitoring features can shut down the battery if an error occurs during normal driving operation, for example. In the event of an accident of a particular degree of severity or worse, the battery is automatically made voltage-free ("crash cutoff").

#### Crash tests with the eVito

The eVito undergoes the same vehicle testing procedures and crash tests as Vito models equipped with combustion engines. The powertrain, high-voltage battery, and all high-voltage lines are embedded in a protective structure. An additional plate shields the battery system against damage from below. All high-voltage lines are extensively insulated and clearly

<sup>1</sup> see appendix: labeling

recognizable due to their orange sheathing. In addition, proper connection of the cables is constantly monitored. The high-voltage system is automatically switched off if circumstances require it. If the vehicle's crash sensors determine that a serious accident has occurred in which, for example, the airbags have been activated, the high-voltage system will immediately be switched to a voltage-free mode. eVito models are also equipped with a shutdown point under the front passenger seat that emergency teams can use to deactivate the power supply manually.

### Trucks: Improved systems and an open dialog

Trucks are also frequently involved in accidents – whether these involve rear-end collisions at the end of traffic jams or accidents that injure pedestrians or cyclists when truck drivers fail to see them while making turns. For Daimler, every accident is one too many. That is why we continually further develop our accident-prevention systems and engage in a public dialog on this issue.

#### Mercedes-Benz Actros with Active Brake Assist 5

The new Actros is equipped with the Active Brake Assist 5 emergency braking system. Interaction between the radar and camera systems marks a first for the truck sector here. Compared with the previous version, this has improved responsiveness to people. At speeds up to 50 km/h, Active Brake Assist 5 can react to people crossing a road, approaching the truck, or walking in the truck's lane. A multi-stage warning system engages if such a situation is detected. If the driver fails to react, Active Brake Assist 5 will bring the vehicle to a stop as quickly as possible.

Active Brake Assist is just one of the many [active assistance systems](#) that have enabled us to make the new Actros even safer than the predecessor model. Along with Active Brake Assist 5, we are offering Active Drive Assist for partially automated (SAE Level 2) driving in the new Actros – the first time such a system has been made available in a series-production truck worldwide. It also features the MirrorCam system, which replaces main and wide-angle mirrors, and the Sideguard Assist system, which detects pedestrians and cyclists in the vicinity of the vehicle. We were the first manufacturer to introduce the Sideguard Assistant ex works as early as 2016. To date, we are the only manufacturer to offer such a complete system integrated into a vehicle. In order to increase safety on streets and roads even further, we will also begin offering this system as a retrofit solution for existing Mercedes truck models in 2020. We are taking even more systematic measures to expand the use of existing active safety systems in order to make road traffic even safer. For this reason, since January 1, 2020 we offer Active Brake Assist 5 as standard equipment in every new Actros and Arocs in Europe, if an emergency brake assistant is required by law. Our Sideguard Assist system is also now available as a retrofit solution for many common variants from the Mercedes-Benz Actros, Arocs, and Econic series from model year 2017 on. Our innovative safety systems were also a major

reason why the Mercedes-Benz Actros was voted Truck of the Year 2020.

### Award for Freightliner in Las Vegas

In January 2019, the new Freightliner Cascadia truck from Daimler Trucks North America received the prestigious Best Transportation Technology award at the 2019 Consumer Electronics Show. The new Cascadia boasts numerous improvements. For example, the truck is equipped with the Detroit Assurance 5.0 system, which is the US equivalent of Active Brake Assist 5. The truck also has an adaptive cruise control that keeps it a safe distance from vehicles ahead. These and other features, such as the Sideguard Assist, Lane Keep Assist, and Lane Departure Protection, make the new Cascadia the first series-production truck in North America to offer partially automated driving functions (SAE Level 2). The sophisticated driver assistance systems make this possible by supporting drivers both in the direction of travel and at the sides of the vehicle, thus ensuring safety in road traffic.

#### Mercedes-Benz Trucks Safety Dialogue

In November 2019, we invited experts from politics and business and from DEKRA Accident Research and the "Allgemeiner Deutscher Fahrrad-Club e. V." to the Mercedes-Benz Commercial Vehicles Center in Berlin, where we discussed the possibilities of further increasing truck traffic safety for the benefit of all road users. More specifically, the Safety Dialogue focused in particular on active safety systems that support truck drivers and thus help prevent accidents.

### Buses: Safety concepts adapted to specific requirements

The safety concept employed at Daimler Buses consists of several components. The concept centers around vehicle- and application-specific safety systems that improve active and passive safety for buses. Specialized systems are needed in urban traffic settings in particular. One example is the Preventive Brake Assist, the first-ever active braking assistance system for use in city buses. It warns of a potential collision with moving pedestrians or stationary or moving objects and automatically initiates a braking maneuver if there is an imminent risk of collision. The warning cascade and brake intervention are designed for use in urban traffic. Turning maneuvers can also cause accidents. Mercedes-Benz and Setra are the world's first two bus brands to offer Sideguard Assist with pedestrian detection. The Sideguard Assist operates in several stages. First it informs the driver if a relevant object is located in the warning zone. In the second stage, the driver is issued a warning if he or she initiates or continues an action and the danger of a collision arises. A visual and tactile warning is also triggered if sensors detect a stationary obstacle, such as a traffic light or a bollard, in the turning curve of the bus during turning.

Training courses for drivers are also important for improving safety, as such courses help drivers recognize and avoid dangerous situations before an accident can occur. The courses also

teach drivers what to do in the event of an accident. Passenger information on how to use the safety devices on board, starting with the use of the seat belt, is also part of the concept. Other measures include the provision of instructions regarding responsible vehicle maintenance and the use of tested original spare parts when the bus is serviced.

#### OMNIplus bus driver training

OMNIplus, the service brand for Mercedes-Benz and Setra buses, has been providing training to bus drivers throughout Germany for 27 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 a total of more than 19,000 people have successfully completed the training courses to date.

#### New technologies require new crash tests

We use state-of-the-art testing equipment to evaluate the safety of our vehicles and their systems at our Technology Center for Vehicle Safety (TFS) in Sindelfingen. The focus here is on the application of global test configurations taken from statutory provisions, ratings, and in-house testing. This also includes the validation of vehicle concepts that utilize alternative drive systems. In the crash-test hall at TFS, around 900 crash tests can be performed annually, as well as approximately 1,700 [① sled tests](#). The crash-test hall, which is roofed over without any supports, measures 90 x 90 meters, making it larger than an international soccer field.

#### X-ray technology in crash tests

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 and the Ernst Mach Institute in Freiburg. This method would enable us to investigate the behavior of safety-relevant components inside the vehicle. The ultrashort-duration X-rays supply extremely sharp stills of specific areas of a vehicle during a crash test. The target of achieving a rate of 1,000 images per second appears to be within reach. The data from the "X-ray crashes" will be combined with computer-aided simulation models to create highly dynamic 3D simulations. These in turn will help improve forecast reliability and optimize the behavior of components in a more efficient and targeted manner.

#### On a collision course for safety

Mercedes-Benz's has been conducting systematic crash tests for 60 years now. On September 10, 1959 our first test car accelerated head-on into a stationary obstacle, thereby ushering in a new era for safety research at Mercedes-Benz. From that point on, the behavior and movement of vehicles and vehicle occupants could be studied more closely using test cars and crash dummies.

#### Traffic safety and social commitment

We launched the "SAFE ROADS" CSR initiative in 2015 as part of our effort to meet our obligations with regard to social responsibility. The initiative is designed to increase traffic safety awareness in India. Our global MobileKids initiative for traffic safety is another example of our efforts to improve safety. Its target is to make road safety and accident prevention a natural part of the everyday life of parents and children.

#### Corporate citizenship

#### How we assess the effectiveness of our management approach

GRI 103-3

Mercedes-Benz models repeatedly earn top marks in safety tests conducted by independent institutes. Of particular note in this regard are the top marks we regularly receive from the American Insurance Institute for Highway Safety (IIHS). The IIHS rating assesses both crash safety and accident-prevention systems. Mercedes-Benz C-Class and E-Class sedans, as well as SUV models and the GLC and the GLE, received the highly coveted "2019 Top Safety Pick+" distinction for the 2019 model year. During the reporting year, the European New Car Assessment Programme (Euro NCAP) issued five-star ratings to each of the following model series: the Mercedes-Benz GLB, CLA, EQC (EQC 400 4MATIC: Electric power consumption (combined, acc. to NEDC): 21.3-20.2 kWh/100 km; CO<sub>2</sub> emissions combined: 0 g/km)<sup>1</sup>, B-Class, GLE, and G-Class. Five stars indicate good overall scores for impact protection and the extensive use of effective accident-prevention technologies that are made available to all customers in Europe. Euro NCAP introduced even more stringent tests in 2018. Among other things, they also focus on the protection of vulnerable road users, such as pedestrians.

<sup>1</sup> see appendix: labeling

## TRAFFIC SAFETY

# Moving ahead with automated driving

Automated and autonomous driving systems have the potential to fundamentally change mobility. They can not only help improve traffic safety, ride comfort, and driving behavior on long trips; they could also have a positive influence on personal mobility and the transport of goods. At the same time, we need to keep in mind the potential risks associated with such systems.

## Opportunities and challenges

GRI 103-1

Automated driving systems that require no human operation or relieve drivers of certain responsibilities can help reduce the number of traffic accidents. That's because such systems would never become tired or distracted or allow themselves to be influenced by emotions or moods, all of which are factors that frequently play a role in accidents today.

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 in both urban and rural areas, which contributes to reducing emissions. It also offers us new opportunities and the possibility of establishing new business models. Such models could include digital and service-based innovations and various environmentally friendly mobility services, including special urban offers that could benefit the elderly or people with disabilities. Automated driving systems also offer extensive potential for road freight transport in terms of safety and the economic benefits brought about by, among other things, efficiency enhancements and fuel savings. We are currently testing highly automated driving systems ([① SAE Level 4](#)) on selected public roads in the United States.

The use of artificial intelligence (AI) poses a further challenge. AI will play a particularly important role in [① machine learning](#) systems that will be used in automated and autonomous vehicles. For example, AI can help automated systems detect and identify objects in or next to the roadway more quickly.

Along with safety, we believe that the responsible use of AI and the consideration of ethical aspects are key preconditions for society's acceptance of automated and autonomous driving. Since 2018, a cross-functional team at Daimler has been developing internal principles for the responsible use of AI. These principles were presented at the IAA 2019. The AI principles are based on our corporate values and have also been incorporated into our Integrity Code.

At the same time, hardware – i.e. the vehicle itself – needs to meet certain social standards related to the design of vehicle interiors and barrier-free access for all future customers.

## On the road to automated driving

GRI 103-2

New technologies require legal certainty. 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 on June 21, 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 respective national traffic and regulatory laws need to be further developed in order to establish legal certainty in connection with the use of autonomous and automated systems. Further changes need to be made to traffic laws in particular if fully automated driving is to become a reality.

Many other countries have now created legal frameworks or initiated legislative processes. If the technology is to achieve a breakthrough, not only will amendments have to be made to respective national regulatory laws; measures will also have to be taken to make it possible to approve and register conditionally and highly automated driving systems (SAE Levels 3–4) for actual use on the road. Daimler is therefore participating worldwide in international committees and associations that are addressing the relevant issues. In this manner, we seek to support the development of a secure legal framework for the technical certification of these systems.

Daimler also supports the international harmonization of regulations regarding automated and autonomous driving in order to ensure that such regulations are compatible with one another to the greatest extent possible and that technological requirements will be uniform all over the world. This also relates to the collection and use of the data needed to ensure the proper operation of automated driving systems. An example is the technical standardization of the [① driving mode recorder](#) that is required by law in Germany. Among other things, this device records whether an automated system was activated or the driver controlled the vehicle. Experts from the United Nations Economic Commission for Europe (UN-ECE) 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.

 [Responsible use of data](#)

Our approach toward the responsible development of automated vehicles is based on legal and internal provisions and policies such as our Internal Guideline on Technical Compliance, ISO standards 26262 and 21448 for safety-relevant electrical/electronic systems in vehicles, the UN-ECE proposals for Requirements for an Automated Lane Keeping System, and the German government Ethics Commission's 20 ethical rules on automated and connected driving.

Our four AI principles also play an important role here. Our first principle requires us to design AI systems responsibly. We use the opportunities offered by AI but also assess its effects as they might relate to our corporate values. Our second principle requires us to ensure a high level of transparency in order to promote trust in AI systems. To this end, we support explainable AI. Our third principle stipulates respect for our customers' privacy. We take privacy protection into account as early as the AI design phase and we support privacy-enhancing technologies. Finally, we develop and test our AI technologies conscientiously using state-of-the-art scientific and technological systems, and we take adequate measures to develop safe and reliable AI systems.

The AI principles are designed to promote trust and quality in our products and services as well as strengthen our products and services while also serving as a guide for all employees who work with or on AI systems.

Aside from ethical considerations, effective data protection is important for ensuring acceptance of automated and autonomous 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.

## Covering and mitigating risks

GRI 416-1

The elements and processes defined in our technical Compliance Management System (tCMS) are also used in the area of automated driving. Particular challenges arising from the utilization of new technologies such as those for automated driving systems are continually taken into account in our development units through the use of behavior guidelines. Complex questions related to automated driving are examined and answered in an interdisciplinary process that takes legal and technical criteria into account.

 [Technical Compliance](#)

## Expertise in the responsible use of new technologies

The development and introduction of new technologies not only presents technical challenges but also requires consideration of the social, ethical, and legal questions that need to be discussed and answered in a broad-scale dialog. We use an integrated approach to address all of these challenges and questions. This approach involves not only our activities in the areas

of research and development, product safety, and quality management; since 2018 it has also included the work conducted by an interdisciplinary team at the Integrity and Legal Affairs executive division. The team works with engineers, legal advisors, and data protection, compliance, and strategy experts to assess the potential impact of new technical developments, increase awareness of complex social and legal issues, and develop and implement new solutions. The topics addressed include the responsible use of data in programming processes and the identification of possible changes to behavior in urban environments that might be brought about by the use of new technologies. The objective also always involves increasing the public acceptance and the safety of our products. Our activities are guided by legal requirements, internal rules and regulations such as our Integrity Code and data-protection and AI principles, external guidelines such as AI4People and the IEEE and Asilomar guidelines, and the German government Ethics Commission's 20 ethical rules on automated and connected driving.

## Our targets

Our goal is to continue developing the requisite technology and to rapidly enable automated and autonomous systems to be installed in series-produced vehicles. As we pursue this goal, we are placing equal emphasis on technical, legal, and ethical aspects, for which we have defined three focal areas:

- Daimler seeks to play a leading role in the field of automated and autonomous systems and will continue to forge ahead with the technical developments needed to create and implement such systems.
- Daimler wants to support the establishment of a reliable legal framework for the use of the relevant new technology at both the national and international levels and therefore promotes the broad-based public dialog needed for this.
- Daimler will actively participate in the social and political dialog on the ethical questions that are arising in the context of the new technologies.

## Measures for automated driving

GRI 103-2

Our measures for establishing the use of automated and autonomous systems range from research and development activities aligned with our principles to social discourse on ethical questions and issues.

## Discussing technical, legal, and ethical issues

A broad-based social discussion is a prerequisite for the acceptance of automated and autonomous driving systems. That is why it is so important to engage in an open dialog with business and consumer associations, various interest groups, government authorities, industry, and society at large. We promote this dialog by staging events and specialist conferences, for example. Since 2015 we have also been using the annual  “[Daimler Sustainability Dialogue](#)” to discuss ethical, legal, and social questions in connection with autonomous driving. The most recent

Daimler Sustainability Dialogue took place in November 2019 in Stuttgart. Participants at the event talked about the possible changes that all road users and society in general might have to make to their behavior as a result of the introduction of new technologies or business models in urban settings. The participants also drew up scenarios related to such new types of behavior and formulated proposals on how the development of new technologies might be used to benefit society as a whole. The focus was on the responsibility vehicle manufacturers and their suppliers have toward society.

### **Shaping the legal framework**

A basic requirement for the successful further development and introduction of automated, autonomous and connected vehicles is the timely creation of a legal framework. Daimler therefore plans to continue to actively promote the relevant legislative processes. Along with the amendments that have to be made to respective national traffic laws and regulatory provisions, particularly with regard to fully automated driving, there are additional hurdles that need to be overcome if the technology is to achieve a breakthrough. In order to enable the cross-border use of automated and autonomously driving cars in road traffic, international harmonization of the relevant legal regulations is necessary. These should be as compatible as possible and include the same technological requirements.

### **Involvement in committees and associations**

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 UN-ECE. 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.
- In July 2019 we participated in a workshop on "Ethical aspects of the standardization of artificial intelligence in autonomous machines" that was organized by the German Institute for Standardization (DIN). The workshop was part of our partnership with DIN and the German Commission for Electrical, Electronic & Information Technologies. The goal of this partnership is to create a roadmap to be known as "Ethical aspects of the standardization of AI."
- In July 2019, eleven leading companies from the automotive and automotive supplier industries, including Daimler, published a white paper titled "Safety First for Automated Driving." The white paper defines twelve guiding principles that are meant to serve as a foundation for future discussions.
- We are also a member of a working group in the German Association of the Automotive Industry that is examining

the issue of "Ethical considerations related to autonomous vehicles."

- In addition, we participated in a consortium project known as PEGASUS, which was funded by the Federal Ministry for Economic Affairs and Energy. PEGASUS stands for "Project for the establishment of generally accepted quality criteria, tools, and methods as well as scenarios and situations." The goal of the project was to develop an approach that will lead to the approval of automated driving functions and thus enable the rapid introduction of automated driving systems in road traffic.
- Since July 2019 we have also been participating in the research association for "Legally Viable and Efficient Homologation of Level 4 and Level 5 Autonomous Vehicles." This association, which basically picks up where PEGASUS left off, has set itself the goal of developing systems and methods for the safety verification of highly automated and fully automated vehicles and vehicle functions.

### **Ethical principles in product development**

In accordance with the guidelines of the German government Ethics Commission, our AI principles, and various other principles (such as biomedical and ethical principles), we have made ethics an integral element of our technology development activities. That is why we take not only legal but also ethical aspects into consideration when we develop products for automated driving systems. We are convinced that this approach will have a positive impact on the acceptance our future products will enjoy, and thus on our ability to generate sustainable value. We therefore view this approach as an important component of our sustainable business strategy.

### **Safety in autonomous and automated vehicles**

Automated driving systems will need to demonstrate proven safety if automated vehicles are to be approved for road use. We are working hard to define the required technical standards. We have made some important progress here with the "Project for the establishment of generally accepted quality criteria, tools, and methods as well as scenarios and situations" (PEGASUS), which was funded by Germany's Federal Ministry for Economic Affairs and Energy. Key issues related to test methods and approval procedures for conditionally automated driving functions had been resolved by the time the project was completed in June 2019. We support the continuation of related activities and their harmonization with international efforts in this area.

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. These voluntary disclosures are designed to promote public discussions with government organizations and stakeholders about the projects. Daimler is the first German original equipment manufacturer (OEM) to make use of the VSSA system in the United States.

## Automated driving in commercial vehicles

Autonomously driving trucks offer clear benefits in many different respects. For one thing, they can help make road transport safer and more sustainable. ① **Redundant systems** and numerous sensors and systems that never get tired or stop paying attention form the basis of automation technologies and assistance systems. This is important, because the majority of accidents that occur today are still caused by human error. Daimler Trucks already offers partially automated driving systems (SAE Level 2) ex works. 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 logical next step, as this level of automation could significantly further increase safety, efficiency, and productivity. Since the competitiveness of an economy also depends on efficiency in logistics, highly automated driving could have positive effects in this respect. Daimler Trucks focuses on three principles when researching and developing automated trucks:

- The safety of vehicle occupants and other road users is our top priority. Thus, all technical systems need to be absolutely reliable.
- We develop our products in cooperation with our customers.
- A clear legal and regulatory framework for issues related to vehicle operation and liability must be established.

## Combining expertise and establishing strong partnerships

Daimler Trucks will focus on the development of highly automated trucks (SAE Level 4) up to the series production stage over the next few years. This is why the Autonomous Technology Group was established as a global organization in 2019. The Autonomous Technology Group brings together our expertise and all of our global activities related to automated driving. The unit's responsibilities include the formulation and implementation of an 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 our Autonomous Technology Group. Torc Robotics is one of the world's most experienced companies in the field of automated driving with highly sophisticated, road-worthy technology. Daimler and Torc have already begun jointly testing highly automated trucks (SAE Level 4) on selected public roads. Previously, we had tested the technology for months on closed-off tracks. These activities mark an important further step that supports Daimler Trucks' efforts to offer safe and reliable trucks that benefit our customers, the economy, and society as a whole.

## How we assess the effectiveness of our management approach

GRI 103-3

The elements and processes defined in our technical Compliance Management System (tCMS) are also used in the area of automated driving. Every year we review the adequacy and effectiveness of our tCMS and adapt it to global developments, changed risks, and new legal requirements. In addition, we analyze the knowledge gained through independent internal and external assessments. On this basis, improvement measures that may be necessary are determined

The sound decisions made in our development projects form the foundation for ensuring technical compliance. Certain potentially feasible future developments are still not addressed in the external provisions and regulations regarding automated driving systems. 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 tCMS Clearing Process. During the reporting year, the established tCMS units used this interdisciplinary process to clear numerous cases related to automated driving.

## DATA RESPONSIBILITY

# Responsible use of data

Connectivity and digitalization will play a crucial role in future mobility – whether it involves automated and autonomous driving, driving assistance systems, vehicle safety, or new services. Many new business models are based on the availability of large amounts of data. The responsible handling and protection of such data is a top priority at Daimler.

## More data, more opportunities, more challenges

GRI 103-1

Many of our customers already take advantage of the benefits offered by connected services such as live traffic information. The use of data for automobile manufacturers is also relevant elsewhere: For example, networked production systems make processes more efficient, while digital product planning helps conserve resources. Customers also benefit from data-based sales and service solutions. It's clear that connectivity, digitalization, and the ability to process large amounts of data will become increasingly important for mobility in the future.

The availability of data doesn't only create new business opportunities; it also leads to an obligation for companies to take special precautions when collecting and processing data. Data is a sensitive commodity and therefore worthy of the protection offered by a strict regulatory framework. The regulatory requirements related 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 the risks associated with the collection of personal data, so the responsible use of data has now become crucial in terms of a company's ability to compete on the market.

The GDPR is not the only challenge facing companies that operate on an international scale. After all, concerns about data protection aren't limited to Europe, and a trend toward more extensive data protection legislation can now be clearly observed around the world. Aside from the legal framework, different societies also have different expectations with regard to data protection.

## How we assume our data responsibility

GRI 103-2

Data responsibility involves more than just data protection. Daimler therefore employs a holistic approach to ensure that it meets its corporate digital responsibility obligations. Along with compliance with relevant laws and regulations, this also involves cultural and organizational aspects that we refer to as "Data

Governance". The main objectives of our holistic approach to Data Governance are to sustainably design data-based business models and ensure the responsible handling of data in the interests of our customers, employees, and other stakeholders. Various measures need to be taken in order to achieve these objectives. Such measures involve everything from employee training to the introduction of a new management approach and the extensive provision of information to our customers. The Group-wide Data Governance System consists of our Data Vision Guiding Principles, our Data Culture, our Data Governance Structure, and our Data Compliance Management System.

## The Daimler Data Vision

The Daimler Data Vision describes our commitment to the sustainable and responsible handling of data. It provides all Daimler AG employees with a clear frame of reference for activities regarding data. The data vision has great practical relevance and helps strengthen the trust of our employees and customers. It also offers employees a framework within which they can develop new business models.

The core guiding principles governing data handling include transparency, choice, and data 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, anytime at the portal. Our customers' 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.

Ensuring effective data protection and data security in vehicles is an integral component of our product development. Even at the very start of the development process for new vehicles, features, and digital business models, our employees make sure that these systems promote and ensure data protection. The digital transformation and the increased connectivity of services are already making it possible for the drivers of many current vehicle models today to enjoy technical conveniences such as

live traffic information and the Active Stop-and-Go Assist system. What these and many other applications have in common is the fact that they all rely on the processing of data. The data-protection-friendly design of connected vehicles, automated driving functions, and new services and applications is therefore a focus of our product-related data protection activities in line with the “privacy by design” concept. When applying our data protection guiding principles, we take into account both market-specific and regional differences such as the different expectations of our customers regarding the protection of their data. We have made our data vision known throughout the Group and also included it in the new version of our Integrity Code.

Each division is responsible for its own implementation of our strategic data protection goals. That is why each division at the Daimler Group has launched its own program for the creation of specific processes and systems that ensure the responsible use of data.

### **Establishing a Data Culture**

Effective data governance requires the existence of an appropriate data culture at a company, just as new digital business models require new ways of thinking.

In order to promote our data culture, we have developed new communication formats that incorporate various methods, instruments, and application examples. One example of that is our “Data Lectures,” which are held regularly at individual units throughout the Group. The lectures feature experts from specialist departments who report on their projects and experiences. With measures like these we show our employees the importance of data for our company and also make them aware of the need to handle data responsibly, not just in their own unit but also throughout the Group.

### **Our Data Governance Structure**

The Group-wide data governance system was developed at the Board of Management’s Integrity and Legal Affairs division. For the implementation of data governance, Daimler has decided to establish Data and Analytics Boards for each division and has already established most of them. The Data and Analytics Boards are used by relevant specialist departments to coordinate their data analysis projects. Employees at Integrity and Legal Affairs accompany the projects from the beginning in order to ensure that they are conducted in compliance with all relevant laws and regulations.

#### **The Data and Analytics Boards**

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

## **The Daimler Data Compliance Management System**

**GRI 103-2**

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.

#### **Compliance Management: Complying with laws and regulations**

Our Data Compliance Management System supports our systematic planning, implementation, and continuous monitoring of measures to ensure compliance with the data protection requirements. In the first step, the Data Compliance Management System is focusing on data protection law. 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. Additional areas of the law that are relevant to data use are being gradually incorporated into this system in order to identify and address possible risks.

### **Implementing GDPR provisions**

In order to implement the GDPR, the Corporate Data Protection unit analyzed the requirements and used this analysis to design practical guidelines for complying with them. These guidelines are now specific binding measures in our Data Compliance Program, which means their implementation is mandatory for all Group companies that are subject to the GDPR. The measures stipulated here comprise processes, IT solutions, and document templates for various areas.

### **Anchoring Data Protection and Data Compliance in our organization**

For the establishment of the Data Compliance Management System we have created a new 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, establishing the Data Compliance Program, and managing data compliance monitoring and reporting processes. In addition, it conducts numerous communication and training measures and offers certain data protection consulting services. The Chief Compliance Officer reports on data compliance developments to the Board of Management member for Integrity and Legal Affairs on a regular basis and also submits quarterly reports to the Board of Management as a whole.

At the same time, 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 Policy. His tasks also include handling complaints regarding data protection and communicating with regulatory authorities.

In addition, the Chief Officer Corporate Data Protection initiates communication and training measures and provides consultation. He informs and advises the responsible and specialist units, particularly with regard to data protection impact assessments. The Chief Officer Corporate Data Protection is independent and reports directly to the Board of Management member for Integrity and Legal Affairs.

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 are currently realigning the existing network of local Data Protection Coordinators and merging it into our global compliance network. We specifically prepare Local Compliance Officers and Local Compliance Managers for their new tasks and support them with training courses and consultation. We chose to use a two-stage risk-based approach for the realignment of the network. The first stage of this approach, which has already been completed, addressed all units at the Group with a high risk classification, as well as those units that have been issued a medium risk classification (as determined by the Data Compliance Risk Assessment) and that are subject to the GDPR. The second stage affects all other units with a medium risk classification and all units with a low risk classification. The second stage is scheduled to be completed by the end of 2020.

## Guidelines for the responsible use of data

GRI 103-2

### Data Protection Policy EU

Our Corporate Data Protection Policy, which was still valid in 2019, was revised in the reporting year, after which the new version was released in January 2020. This policy creates Group-wide standards for handling the personal data of employees, customers, and business partners. Our new [Data Protection Policy EU](#) takes into account the special regulatory environment in Daimler's core European market. Using the GDPR as a basis, the policy establishes adequate and uniform standards for the processing of personal data. This Group-wide policy also includes binding corporate rules for Group companies that are located outside the area subject to the GDPR but which nevertheless, through cross-border data transfer, process personal data to which the GDPR applies. Our Data Protection Policy EU has been submitted to regulatory authorities for approval as binding corporate rules as defined by the GDPR.

### Global Data and Information Policy

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 tasks, responsibilities, and roles in a data- and information-based environment. To this end, it defines the goals, principles, organizational structures, and measures that are needed to establish the corresponding 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. Together, local data protection laws and the Group-wide Data Compliance Management System create the framework for legally compliant and sustainable data handling.

## Addressing data-related risks

GRI 103-2

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 central units. The results of the analyses form the basis of our risk management and risk minimization activities. The analyses 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 entities at the Group; specific additional details are taken into account in line with the given risk evaluation. First, the Data Compliance unit conducts a preliminary assessment on the basis of internal and external information. This includes, for example, an examination of the data processing within the scope of business activities and an analysis of the regulatory environment in the country in which the given Group unit is located. The unit 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. If no particular risks are identified, a risk classification is issued immediately. The unit also makes use of information from the Divisional/Regional Compliance Officer's network before issuing its final risk classification. The Chief Compliance Officer and the Divisional/Regional Compliance Officer's network confirm the results of the annual Data Compliance Risk Assessment and report these results to the Board of Management and the Supervisory Board of Daimler AG, as well as to the same boards at the new divisional companies.

## Comprehensive data protection training

Every employee with e-mail access who works at a Group company is required to participate once every three years in the web-based "Integrity@Work" training program, which also covers data protection topics. We also offer voluntary training modules for employees who wish to learn more about data protection and the GDPR. GDPR training courses are mandatory for certain managers. In addition, local management at a Group unit can require employees to complete such courses. Thanks to our IT-supported Learning Management System, all training measures are available around the globe.

Along with web-based training, employees who work in areas where data protection is especially relevant – for example in human resources departments or at sales or development units – can also take part in training courses offered by the central compliance organization. Local management is responsible for organizing such participation.

The onboarding process for new managing directors and CEOs 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.

In Group units with a high data protection-related risk, we prepare annual training plans and document participation.

The local data compliance organization plays a key role in terms of compliance consultation and the implementation and monitoring of compliance measures. As a result, Daimler strongly emphasizes training measures and ongoing qualification for this target group.

In addition to the aforementioned measures, Local Compliance Officers and Local Compliance Managers 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. This classroom program provides participants with basic information about the provisions of data protection laws and regulations and offers practical tips and advice for the respective tasks. Local Compliance Officers and Local Compliance Managers at Group units with a low data protection risk classification take part in a video-based training program with the same type of content.

#### Communication and training

#### **Addressing complaints**

GRI 418-1

The Daimler Group has established a central around-the-clock reporting system for all incidents involving information security: the Information Security Incident Management Process. Employees are instructed to report all potential data protection violations internally via this system. Incidents related 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 Supports. The Corporate Data Protection unit then issues a recommendation to the local management team as to whether supervisory authorities should be informed of the incident and whether the data subjects should be notified within the period stipulated by law. Local Incident Supports handle incidents related to data protection that occur at units that are not subject to the GDPR. Together with the local management teams, the Incident Support decides whether supervisory authorities should be informed of an incident and whether the data subjects need to be notified as well. The Corporate Data Protection unit can be involved for support at any time. The results of all investigations have to be submitted to the Corporate Data Protection unit for documentation purposes.

No incidents reported in 2019 involved data theft or data loss.

Along with its Information Security 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 Managers how to address complaints. These courses provide information on local data protection provisions and the requirements defined in the GDPR.

#### The whistleblower system BPO

The contact details of the Chief Officer Corporate Data Protection are publicly available, and customers can direct any questions or concerns regarding data protection to him and his team. Daimler has also provided extensive information on data protection to its customers within the framework of its "Project Future" program. As a result of the provision of this information, and the fact that awareness of the importance of data protection remains high, the number of inquiries received about data protection issues increased in the year under review. In eight cases, data protection authorities conducted investigations in response to customer complaints. However, 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

The Data Compliance Management System is still in the process of implementation. The most recent annual internal effectiveness evaluation of the Daimler Compliance Management System was conducted at the end of 2019. We evaluate and document the implementation of all stipulated measures within the framework of a monitoring and reporting process. In this way, our compliance organization conducts an annual evaluation to assess the adequacy and effectiveness of the Compliance Management System. Our compliance reporting system documents any areas where action needs to be taken, and we also monitor implementation of the associated measures. If necessary, the compliance organization will make adjustments in line with the knowledge gained from the evaluation, while also taking into account changed risks and new legal requirements.

## HUMAN RIGHTS

# Recognizing risks, taking targeted action

For Daimler, respect for human rights is a fundamental component of responsible corporate governance. We are committed to ensuring that human rights are respected and upheld in all of our Group companies and by our suppliers.

## Focusing on human rights

GRI 103-1

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

Respect for human rights is a key component of our sustainable business strategy and our understanding of integrity and ethical behavior. The nature of critical human rights issues varies among regions and suppliers and also depends on the raw materials, services, and supply chains in question. For this reason, when implementing our approach to respecting and upholding human rights, we not only take into account our own plants and facilities but also include risk-based analyses of the entire supply chain.

## How we respect and uphold human rights

GRI 103-2

The lead responsibility for the controlling of human rights issues lies with the Integrity and Legal Affairs executive division of Daimler AG. The member of the Board of Management responsible for Integrity and Legal Affairs works with the procurement units on ensuring human rights compliance and also receives regular information and the corresponding reports on human rights activities from the Chief Compliance Officer and from specialist units in the Social Compliance and Corporate Responsibility Management departments. Relevant procurement units also provide information on their respective human rights compliance measures to the Procurement Council and the Board of Management members directly responsible for the units in question. This is supplemented by regular reports submitted jointly

to the entire Board of Management and the Group Sustainability Board by all of the participating specialist units. Cross-functional teams work together closely on the development and implementation of suitable preventive activities and countermeasures. The teams consist of human rights and compliance experts, as well as staff from the operational procurement units and, if necessary, from other specialist units as well. The relevant specialist units are responsible for implementing and monitoring the measures developed in each case.

## Guidelines and international frame of reference

The following standards and guidelines in particular serve as the key frame of reference for our human rights regulations and our conduct in this regard:

- The [① UN Global Compact](#)
- The UN Guiding Principles on Business and Human Rights
- The International Bill 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
- The Core Labor Standards of the International Labour Organization

The human rights issues we focus on and which have been derived from these frames of reference to enable us to fulfill our due diligence obligations are contained in our [↗ Integrity Code](#) and the [↗ Daimler Supplier Sustainability Standards](#).

The Daimler Supplier Sustainability Standards define our requirements with regard to working conditions, human rights, environmental protection, safety, business ethics, and compliance, and are also part of our general terms and conditions. We demand that our direct suppliers commit themselves to observing our sustainability standards, communicating them to their employees and to their upstream value chains, and then checking to ensure that the standards are complied with. The Supplier Sustainability Standards identify the following human rights aspects as focal topics:

- 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

The Supplier Sustainability Standards also refer to all the other valid and internationally recognized human rights.

### **Systematically addressing human rights risks**

To ensure that human rights are respected and protected, Daimler has developed a due diligence approach called the Daimler Human Rights Respect System (HRRS). It aims to protect the human rights of our own employees and to ensure that human rights are respected at our direct suppliers ([① Tier 1](#)) and at risk-relevant points of the supply chain beyond Tier 1. Through our systematic approach to ensuring respect and protection for human rights, we aim to be the benchmark for the automotive and mobility services sectors.

The HRRS, which orients itself to our Group-wide Compliance Management System (CMS), utilizes a risk-based approach in its focus on Group companies including our production locations and our supply chain. In the spring of 2019, we established a new Social Compliance department. This department is responsible for leading the implementation of our HRRS and to this end utilizes tried-and-tested methods and processes from our Compliance Management System. Plans call for the HRRS at Daimler AG Group companies to be gradually integrated into the Group-wide CMS. Within the framework of the HRRS, we are also developing a separate due diligence approach for ensuring compliance with human rights in the supply chain. This approach is based on a foundation of proven compliance management systems.

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

As a result, the HRRS also involves consultation and discussions with rights-holders, for example our employees and their representatives, and external third parties such as civic organizations or local residents. The HRRS consists of four steps that are to be applied to Group companies including our production locations and the supply chain.

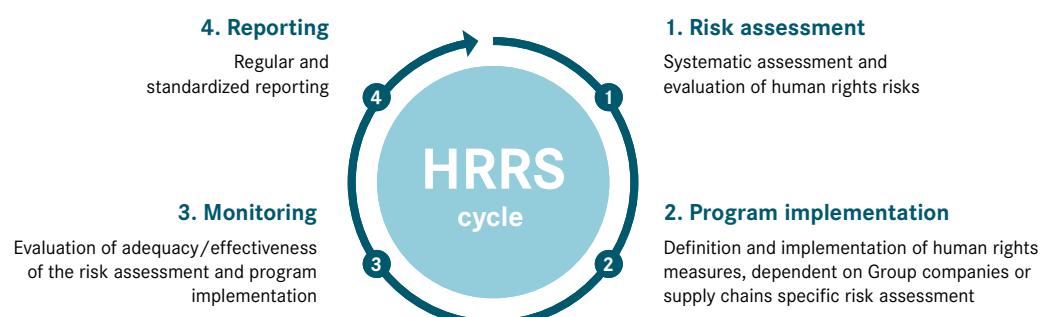
External stakeholders are regularly involved as we continue to enhance the HRRS step by step. Among other things, we hold talks with international [② NGOs](#) concerning the human rights risks arising from the extraction of certain raw materials and we also organize the annual “Daimler Sustainability Dialogue”.

#### [Daimler Sustainability Dialogue](#)

### **Comprehensive risk analyses**

Within the framework of the Upfront Risk Assessment, which is part of the separate due diligence approach for our supply chains, we have identified 24 raw materials and 27 services whose extraction and further processing/provision (services) pose potential risks to human rights. Various international reference documents serve as the basis for these risk assessments. With regard to raw materials, we use the “Child and Forced Labor List” from the US Department of Labor, for example. Extraction and mining methods, and the countries where raw materials are located, all play an important role in our analyses. With regard to services, we make use of the Corruption Perception Index published by Transparency International. This list is compiled on the basis of an assumption that countries which display a high risk of corruption are also more likely to pose a risk in terms of human rights. To discover possible risks at our Group companies, we also classify them systematically in accordance with their business models and the human rights situation in their countries.

### **6.1 The Human Rights Respect System**



## Identification of human rights risks at Group companies

GRI 412-1

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

## Consistent complaint management

GRI 407-1 GRI 408-1 GRI 409-1

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 (Business Practices Office) and the World Employee Committee.

The complaint management process also enables individuals to draw attention to possible human rights violations at suppliers. In this context, we work together closely with the World Employee Committee. If we become aware of a suspected violation, we bring together all the available information and request the suppliers to respond to the allegations. We then assess the facts of the case and take the necessary measures. This can cause us to terminate the business relationship. Depending on the situation, it can make sense to work together with the supplier in order to improve the situation on site.

According to our analyses, there were no concrete suspicious cases of child labor, forced labor, or violations against the right to collective bargaining or freedom of association within the Daimler Group in 2019. The Group systematically investigates individual notifications and suspected violations in the supply chain, including the use of child labor for the extraction of raw materials. In cases where we have identified a need for action, we implement the necessary measures – also in cooperation with our partners.

In order to be able to identify problems, we also investigate concrete cases that NGOs have directly communicated to us.

## Measures for the protection of human rights

GRI 103-2

Creating transparency, raising awareness, investigation: We implement a variety of measures worldwide in order to ensure that human rights are respected and upheld as correctly as possible. It is clear that we can't solve human rights challenges on our own, but only in cooperation with employees, suppliers, business partners, and governments.

## Human rights training and workshops

GRI 410-1 GRI 412-2

Our [Integrity Code](#) provides our employees with information about human rights and raises their awareness of the corresponding risks. The rules contained in the Code are binding for all employees at Daimler AG and for all employees at the Group companies controlled by Daimler. Depending on the area of work, the onboarding process for new employees may include mandatory training courses containing corresponding information. During the reporting year, we have, among other things, held a training course that raises awareness of human rights among the regional heads of the Group's global security organization.

## Raising awareness among suppliers and sales partners

During the reporting period we developed the “Supplier Compliance Awareness Module” on the basis of the sustainability standards for the suppliers and our Integrity Code. This module helps suppliers address possible integrity- and compliance-related risks. 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. The module is provided to all suppliers via the Daimler Supplier Portal, where they can use it at any time. Suppliers can also forward this module to their business partners in the supply chain.

This module also contains provisions similar to those that can be found in the general “Compliance Awareness Module” for sales partners, which was introduced in 2016 and is designed to draw their attention to current compliance requirements. Human rights constitutes one of the eleven compliance-related topics featured in this module.

You can find specific information about the qualification of our suppliers in the chapter [Sustainable supply chain management](#).

## Open and constructive communication with suppliers

In the services sector, we conduct awareness-raising measures for human rights. To do so, a cross-functional team from the procurement unit meets with suppliers in “Good Practice Sharing Workshops”. This format employs an open and constructive sharing of experiences between the suppliers as well as the clear communication of our expectations towards them.

In 2019 we held a “Good Practice Workshop” with seven

suppliers of International Procurement Services. These suppliers came from a variety of business areas. In the run-up to the workshop, all of the suppliers received a questionnaire that enabled them to evaluate their status with regard to human rights. The results served as the basis for the joint discussions. At the workshop, the suppliers also raised the topic of possibilities for improvement and defined appropriate measures.

### Social standards for contracts for work and services

The awarding and performance of contracts for work and services are subject to standards that extend beyond existing legislation in many areas. These standards define our 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 social principles are relevant to all orders that exceed a period of two months and are actually carried out on the business premises of Daimler AG in Germany. All relevant 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 Procurement determines whether the standards are being complied with in Germany.

### Membership in automotive associations and initiatives

Daimler is active in a variety of associations and initiatives that address the issue of human rights. They 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 – Forum for sustainable development: Daimler is the sponsor for human rights issues and a member of the Supply Chains working group

In addition, Daimler initiated the “Human Rights Roundtable of the Automotive Industry”, which it has also hosted on several occasions. This roundtable brought together representatives of the automotive industry with political representatives. It mainly addressed the challenges that the automotive industry faces in the implementation of its human rights due diligence obligations. Their goal is the joint development and implementation of standards.

### Raw material initiatives as important platforms

Daimler pursues a risk-based approach. This means that we endeavor to create as much transparency as possible about the upstream value-added stages of raw material supply chains that have a high risk of human rights violations. In this way we want to identify areas that are critical to human rights and to define and implement targeted measures.

In addition to our own measures, we are also active in raw materials initiatives that complement the impact of our activities to

promote the responsible procurement of raw materials and can amplify them. The focus of these initiatives is the responsible use of cobalt, steel, and aluminum. With these goals in mind, we are active in the Responsible Minerals Initiative, the Responsible Steel Initiative, the Aluminium Stewardship Initiative, and other organizations. Through targeted cooperation with relevant stakeholders in raw material supply chains, we want to contribute to improving working conditions and preventing human rights violations in raw material mining operations. These initiatives serve as important platforms that also make available sophisticated instruments to enable the traceability of the origin of materials such as cobalt, steel, and aluminum.

#### [Involvement in associations and sustainability initiatives](#)

### Monitoring selected raw material chains

GRI 414-1

In order to produce vehicles, we need certain raw materials that can, in some circumstances, be mined or processed under conditions that could be critical from a human rights standpoint. That is why the supervision of these supply chains has a high priority for us. Within the framework of the HRRS, we are therefore striving to recognize and prevent such risks and negative effects early on. By the end of 2020, therefore, 20 percent of all high-risk raw materials are to be reviewed, and by 2025 it should be 70 percent.

#### Cobalt

Cobalt is a special area of focus for our sustainability management activities because of the potential human rights risks associated with its supply chain. Demand for cobalt will initially continue to increase due to the expanding electrification of vehicle fleets. Following a pilot project launched in 2018, we commissioned an external auditing firm in 2019 for a three-year program. The company's task is to audit the cobalt supply chains of the battery cell suppliers of Mercedes-Benz AG at the time the commission was issued. These audits will be conducted to determine if the supply chains meet the [OECD](#) standards. In the first year of the program, the aim is to gradually audit the cobalt supply chains of our battery cell suppliers. The audits cover both downstream suppliers (from the battery manufacturers to the refineries) and upstream suppliers (from the refineries to the mines). We employ such [audits](#) in order to evaluate suppliers and identify high-risk areas and the potential for improvement.

A large proportion of the downstream suppliers were already audited in 2019. However, some audits still need to be performed at cathode manufacturers, additional refineries, and, above all, smelters and mines. Initial results from the evaluations show that the audited companies still have problems establishing due diligence systems in accordance with OECD standards. These systems help to ensure that human rights are duly respected. The audited companies perform much better with regard to material control. If an audit discovered a need for improvement, specific Corrective Action Plans were developed together with the supplier, i.e. a list of corrective measures that the supplier in

question has to implement. The supplier has a certain amount of time to do this, which varies depending on the severity of the discovered deficiencies. We continuously monitor implementation of these measures. Among other things, they help to improve the due diligence process. Several suppliers were already working on the implementation of such improvement plans during the reporting year, while we are currently coordinating such plans with other suppliers. If a supplier does not accept the improvement plan, we will contact the company that is the next highest in the supply chain in order to have the plan accepted and implemented. Since there is no direct contractual relationship in this case, we have no legal basis for enforcing the plan.

Over the long-term, we focus on [① capacity building](#) measures for suppliers. Our aim here is to support suppliers enhance their ability to prevent human rights violations.

#### [Overview of smelters and refiners in our current supply chains](#)

##### **Mica**

The supply chain of mica, which is used in vehicle paints and is therefore not directly obtained by Daimler, has been identified as a critical material by the HRRS. That is because the mining of mica has repeatedly been connected with child labor in India. For this reason we reviewed the complete supply chain for mica in 2018 – from the mine to the painting of Mercedes-Benz vehicles in manufacturing plants. A team of quality engineers and human rights experts for example audited three mines and three mica processors in India in order to determine whether these facilities comply with standards for protecting human rights. The overall objective of the project was to create transparency across the entire mica and paint supply chain in order to identify problems that might exist and then define corrective measures. In the course of the audits, we have worked towards the exclusion of a sub-supplier of our direct supplier from the paint supply chain.

We remain in contact with the mica supplier with whom the audits were carried out in 2018. Among other things, we discuss the implementation of the measures that were initiated as a result of the audit and also confer about the ongoing audit of the mine by a local partner organization of the supplier. During the reporting year, we repeatedly examined the implementation and progress of the measures.

##### **Natural rubber**

The HRRS has defined natural rubber as one of the focus materials subject to a supply chain analysis. Because natural rubber is used mainly in tires, we not only conduct our own supplier surveys and inquiries but also concentrate in particular on our cooperation with associations and initiatives as well as with our partners in the tire industry. In 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. As a leading member of the sector's "Drive Sustainability" initiative, we also support the "Global Platform for Sustainable Natural Rubber."

## **Further social auditing of suppliers in procurement**

GRI 414-1

The evaluation of new suppliers according to social standards is firmly embedded in the processes of our three procurement units. For example, International Procurement Services, which is responsible for the procurement of non-production material, evaluates all of the new suppliers in high-risk countries and socially critical procurement segments. Mercedes-Benz Cars Procurement and Supplier Quality conducts a potential analysis of all new suppliers. This analysis also addresses working times, remuneration, and freedom of association. Global Procurement Trucks & Buses has procurement employees conduct on-site assessments of all new suppliers to also see how they comply with social standards. We use regular database research and other measures to discover any violations of our sustainability and compliance rules by our current suppliers. We systematically follow up all reports of violations.

## **How we assess the effectiveness of our management approach**

GRI 103-3

During the reporting period, the regular assessment of our measures has caused us to adjust our management approach in a variety of ways. In 2019 we created the Social Compliance department in order to further systematize existing measures and improve their integration into the business processes. This department is part of the executive division Integrity and Legal Affairs. It is now responsible for controlling implementation of the HRRS.

Plans call for the HRRS for Daimler AG Group companies to be fully integrated into the Group-wide Compliance Management System. The department is also enhancing the separate due diligence approach for human rights in the supply chain. In doing so, it is first reviewing the previous measures.

Due to its importance, we made human rights one of the key focal topics of our sustainable business strategy during the reporting year. To this end, we provided measurable targets and key figures for our human rights approach. We regularly review how the approach is progressing and report the results to the Group Sustainability Board and the Board of Management.

During the further development of our management approach to human rights, we also incorporated the feedback from our stakeholders at the human rights working group of the "Daimler Sustainability Dialogue." At this annual event, we discuss and evaluate our progress as well as the challenges that arise during the implementation of our management approach.

#### [Daimler Sustainability Dialogue Plenary Reports](#)

## INTEGRITY

# Integrity in practice – strengthening trust

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

## A question of culture

GRI 103-1

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

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

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

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

## How we make integrity part of our daily business activities

GRI 103-2 GRI 102-16

Our [Integrity Code](#) defines guidelines for our everyday business conduct, offers our employees orientation, and helps them make the right decisions even in difficult business situations. In doing so, we act in accordance with our corporate principles, which involves more than just complying with laws and regulations. We also take responsibility for our actions and seek to strike a balance between profitability and the needs of people

and the environment. Openness and transparency form the foundation of our conduct, and our collaboration is based on trust and respect. We view the diversity of our workforce as one of our strengths.

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

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

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

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

## Contacts for integrity-related questions and issues

GRI 102-17

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

## Measures for promoting ethical conduct

GRI 103-2

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

### Input from employees

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

 [Remuneration Report, AR 2019](#)

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

## Communication at all levels

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

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

### Training for employees and managers

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

 [Communication and training](#)

## INTEGRITY

# Compliance management: Complying with laws and regulations

Value-based compliance is an indispensable part of our daily business activities at Daimler. For us, compliance means acting in accordance with laws and regulations. Our objective here is to ensure that all of our employees worldwide 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.

## The Daimler Compliance Management System

GRI 103-1/-2

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

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

### Compliance values and goals

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

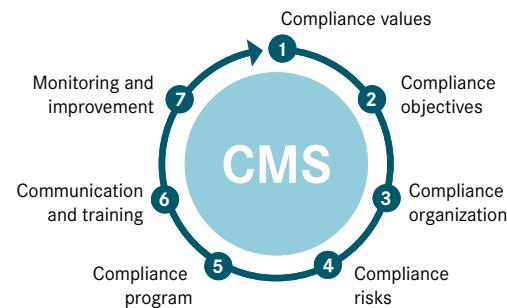
#### Integrity in Practice – Strengthening Trust

### Compliance organization

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

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

### 7.1 The Daimler Compliance Management System



### Involvement of company management

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

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

## Compliance risks

GRI 205-1

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

## Compliance program

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

### The whistleblower system BPO

GRI 205-3

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

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

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

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

addition, we have produced an instructional video and stage dialog events at selected locations as well.

In 2019, 59 new BPO cases were opened. A total of 44 cases in which 72 individuals were involved were closed "with merit." In these cases, the initial suspicion was confirmed. Seven of these cases were in the category "Corruption," while five related to "Technical compliance" and five concerned "Reputational damage." Accusations of inappropriate behavior of employees toward third parties were confirmed in 13 cases. Four cases were categorized as "Damage exceeding 100,000 euros." The remaining cases fell into other categories. With regard to those cases that are closed "with merit," appropriate response measures are decided in line with the principles of proportionality and fairness. Personnel measures taken in the reporting year 2019 included the issuing of warnings and final warnings, as well as separation agreements and terminations.

## Compliance on the part of our business partners

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

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

## Further information on expectations regarding our business partners

## Communication and training

GRI 102-27 GRI 205-2

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

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

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

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

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

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

New members of the executive management of Group companies are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator, which is a

module that provides information on their tasks and responsibilities, contact partners, and points of contact that deal with central issues addressed by the Integrity and Legal Affairs division and adjacent units. The module thus supports such executives in their new role.

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

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

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

## Monitoring and improvements

GRI 103-3

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

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

## Main topics for compliance management

GRI 103-2

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

## 7.2 Training in 2019 – Web-based training

GRI 205-2

	Target group	Number of participants
Basic Module – Integrity@Work (basic knowledge about integrity, corruption prevention, anti-trust law, data protection, whistleblower system)	Administrative unit employees in controlled Daimler entities with e-mail address thereof administrators worldwide: managers worldwide:	<b>19,002</b>  18,206 796
Management Module – Integrity@Work	Managers worldwide	<b>1,512</b>
Expert Module – Antitrust	Administrative unit employees in controlled Daimler entities with e-mail address thereof administrators worldwide: managers worldwide:	<b>7,433</b>  5,079 2,354
Expert Module – EU General Data Protection Regulation	Administrative unit employees in controlled Daimler entities with e-mail address thereof administrators worldwide: managers worldwide:	<b>8,851</b>  7,647 1,204
Expert Module – Integrity & Compliance@MS	All employees and managers at Mercedes-Benz Cars Marketing and Sales including controlled Daimler entities thereof administrators worldwide: managers worldwide:	<b>17,755</b>  16,644 1,111
Expert Module – Integrity & Compliance@Truck, Bus & Van	All employees and managers at Marketing and Sales Truck, Bus and Van including controlled Daimler entities thereof administrators worldwide: managers worldwide:	<b>15,203</b>  14,033 1,170
Expert Module – Integrity & Compliance@DFS	All employees and managers at Marketing and Sales at Daimler Financial Services thereof administrators worldwide: managers worldwide:	<b>207</b>  1 206
Expert Module – Technical Compliance & Integrity@Cars and Vans	All employees and managers at Research & Development (R&D) and Mercedes-Benz Cars, Development Vans and parter units ITC und VAN/FT thereof administrators worldwide: managers worldwide:	<b>20,161</b>  17,935 2,226
Expert Module – Technical Compliance & Integrity@Trucks	All employees and managers at development, product and platform management at Daimler Trucks thereof administrators worldwide: managers worldwide:	<b>2,623</b>  2,301 322
Expert Module – Technical Compliance & Integrity@Buses	All employees and managers at development Daimler Buses thereof administrators worldwide: managers worldwide:	<b>1,137</b>  996 141
Expert Module – Integrity & Compliance@ Procurement	All employees and managers in purchasing functions worldwide thereof administrators worldwide: managers worldwide:	<b>703</b>  653 50
<b>Total</b>		<b>94,587</b>

### 7.3 Training in 2019 – Face-to-face training courses

GRI 205-2

	Target group	Training sessions	Participants
Antitrust law	Managers and administrators worldwide	208	5,382
Corruption prevention	Managers and administrators worldwide	911	14,460
Module on Integrity and Compliance for newly appointed and promoted managers	Managers Senior managers	10 6	291 256
technical Compliance Management System training	R&D employees Mercedes-Benz Cars, Vans, Trucks and Buses worldwide	42	1,804
Module on Technical Integrity	Managers from the development departments worldwide	8	703
Data Compliance qualification for Local Compliance Officers	Local Compliance Officers und Local Compliance Managers	6	166
<b>Total</b>		<b>1,191</b>	<b>23,062</b>

### Anti-corruption compliance

GRI 205-1/-2/-3

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

Our anti-corruption compliance program is based on our comprehensive Compliance Management System. The program is globally valid and primarily consists of an integrated risk assessment process that takes into account internal information such as a unit's business model and external information such as the Corruption Perceptions Index from Transparency International. The results of our risk assessment analyses form the basis of risk-based measures for avoiding corruption in all business activities (e.g. reviews of business partners and transactions) and measures to ensure that special care is taken in contacts with authorities and public officials. Our risk-minimization measures focus in particular on sales companies in high-risk countries and business relationships with wholesalers and general agencies worldwide.

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

assists the responsible management team with the implementation of the anti-corruption compliance program.

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

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

### Antitrust compliance

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 agencies, and participate in trade association committees. In addition to Daimler's Legal department and its specialist advisers, the Group's global divisions can turn to local legal advisers, who also ensure that our standards are consistently upheld.

The results of our annual compliance risk analysis serve as the basis for the formulation of measures that address antitrust risks. The responsibility for designing and implementing measures lies primarily with each Group company's management, which is also responsible for monitoring the effectiveness of the measures employed. Within the framework of its Group management responsibilities, Daimler AG monitors the executive management bodies of the respective Group companies. As a result, managers at Group companies cooperate closely with the Integrity and Legal Affairs division, which also provides information on how to implement compliance measures effectively. Units that face a higher potential risk in particular must also systematically assess the adequacy and effectiveness of locally implemented antitrust compliance measures at regular intervals. In addition, our Legal and Corporate Audit departments conduct monitoring activities at our divisions, as well as random audits, in order to determine whether antitrust laws and internal standards are complied with. This helps us continuously improve the effectiveness of our Antitrust Compliance Program and adapt it to global developments and new legal requirements. The associated methods and processes are being constantly refined and improved.

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

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

### Technical compliance

For us, technical compliance means adhering to technical and regulatory requirements, standards, and laws while taking into account the fundamental spirit of these laws and regulations as well as adhering to internal development requirements and processes. In order to address the specific risks associated with the product creation process, we combined the existing systems and additional measures and processes at the Daimler AG

automotive divisions into a technical Compliance Management System (tCMS). The purpose of the tCMS is to safeguard legal and regulatory conformity during the entire product development and certification process and to provide orientation and guidance for our employees by defining specific values, principles, structures, and processes.

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

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

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

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

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

Various communications measures regarding the commitment statements have been made known to all employees and anchored in selected training courses.

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

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

### Data compliance

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

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

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

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

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

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

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

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

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

## Anti-financial crime compliance

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

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

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

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

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

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

## Significant legal proceedings

GRI 206-1 GRI 419-1

Legal proceedings against companies within the Daimler Group are assessed as significant if they represent a particular financial and/or reputational risk for Daimler. Information about significant legal proceedings against companies within the Daimler Group is provided in the Annual Report for the reporting year 2019 as well as in the relevant quarterly reports.

↗ [Risk and Opportunity Report, Legal risks, AR 2019](#)

↗ [Notes to the Consolidated Financial Statements, Legal proceedings, AR 2019](#)

These reports also contain information on governmental information requests, inquiries, investigations, administrative orders and proceedings as well as litigation relating to environmental, capital-market, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions.

## PEOPLE

# Shaping the digital transformation

Electrification, autonomous driving, connected urban mobility: It's not just our products that are changing fast – lots of things in the company are changing too. We are digitalizing our value creation process – and thus our work. We are becoming increasingly cooperative and agile, finding new ways to bring work and private life into harmony, and accompanying our employees on their individual career paths.

## Boosting our attractiveness as an employer, forging ahead with digitalization

GRI 103-1

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

Particularly in times of change, cooperation between the workforce and management is of great value. We are currently experiencing how digitalization is increasingly permeating all areas of the economy. As a global automotive group, we see ourselves as driving this development forward. We also want to be our industry's leader in terms of digitalization. This process of transformation affects our workplaces just as it does our products. As a result, it is vital that we bring our employees with us on the path into the digital future. We therefore see it as our task to equip them with the essential abilities to master the challenges of digitalization and to remain competitive.

## Partnership with the employees

GRI 103-2 GRI 401-2

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.

## Voluntary commitments and policies

GRI 102-35/-36

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. Our employees are

provided with information about these principles. We operate the BPO whistleblower system to punish violations of the principles. It receives reports of suspicious cases and directs the subsequent investigations according to the respective area of responsibility.

### The 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 respect key employee rights, ranging from the provision of equal opportunities to the right to receive equal pay for equal work.

### Company agreements

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

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

### Principles of remuneration

We remunerate work in accordance with the same principles at all Group companies around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Internal audits are conducted on a random basis to make sure these conditions and requirements are met. In our desire to offer salaries and benefits that are customary in the industry and the respective markets, we also give consideration to local market conditions within the specified framework. The salaries are determined on the basis

of each employee's tasks and performance, and in line with the employee's qualifications and experience.

In setting the remuneration of the employees we are not guided by gender or origin, but exclusively by the employee's function and responsibility. Employees who have complaints regarding remuneration can report these to their respective manager. If the questions cannot be resolved satisfactorily in this way, employees can contact their HR department or the Works Council. In companies subject to collective bargaining agreements, such as Daimler AG, 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 instruments

We support managers and employees in their tasks with made-to-measure standardized management tools. These tools help us to support cooperative working practices and to measure the results of our actions.

We have introduced the "My Contribution" tool for Level 1 to 4 managers as part of the new Performance Management. Together with their teams, our managers define the contribution they can make to safeguarding the success of the company. Here, in order to also focus on the corporate goals when determining the effect on remuneration, the bonus is exclusively determined on the basis of the company's success. This applies to Level 1 to 3 executives worldwide and to Level 4 managers at many Group companies.

We have established the NAVI process for non-production employees below Level 4 at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG. NAVI is a standardized leadership process consisting of initial leadership discussions, reviews conducted during the year, and final discussions. In the course of the discussions, the manager and the employee agree on quantitative and qualitative targets and generally also agree on a personal development goal. Depending on the individual's function and management level, the goal agreements can also include diversity and compliance targets. Whether and to what extent the goals are achieved is reviewed annually. This performance is discussed in management conferences in connection with leadership and work performance and the employee's development potential. Finally the results are personally discussed with the respective employee by the manager. Agreements are also reached regarding the employee's professional development.

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

regarding the implementation of Germany's Remuneration Transparency Act. This includes information that shows employees the various remuneration components of comparable groups of all genders.

In employment relationships subject to a collective bargaining agreement Daimler AG and its subsidiaries usually offer additional voluntary benefits that are agreed upon with the respective employees' representative bodies. These benefits include employer-funded contributions to retirement benefits and, in many cases, profit-sharing agreements for the respective company as well. For example, the eligible employees of Daimler AG, Mercedes-Benz AG, and Daimler Truck AG will receive a profit-sharing participation of €597 for 2019. In addition, as an expression of gratitude and as recognition for the commitment shown in 2019, a one-time recognition bonus in the amount of €500 has been agreed on for this scope of application. In addition, our employees can avail themselves of the services of a wide variety of sports facilities and social amenities, ranging from day-care centers to the counseling service for people in extreme situations.

#### Flexible workforce strength thanks to temporary workers

In 2015 the provisions of the works agreement "Safeguarding the future of Daimler" were extended for a further four years, until the end of 2020. They allow for a maximum personnel flexibility of eight percent. These provisions enable us to adjust our workforce strength to take account of economic fluctuations and the changes in demand on the automotive markets, which today are greater than ever before. Our concept: Temporary workers supplement the permanent workforce; they do not replace it. The hourly wage we pay temporary workers in the commercial and industrial units corresponds to the wage offered to newly hired employees with temporary or permanent contracts in the same units. It is based on the master/ERA collective bargaining agreement for the metalworking industry in the state of Baden-Württemberg and is adapted in line with the requirements of the job profile in question. Temporary workers at locations with a higher personnel flexibility receive an additional shift supplement corresponding to the rules of the metalworking and electrical industries. Furthermore, they are granted bonuses and Christmas money in accordance with the collective agreement and operating conditions of the temporary employment agency.

#### Constructive collaboration with unions

GRI 102-41 GRI 407-1

Our employees have the right to organize themselves in labor unions. We also ensure this right in countries in which freedom of association is not legally protected. We work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council, and the World Employee Committee (WEC). Collective bargaining agreements apply to the majority of our employees throughout the Group. Such agreements apply in particular at Daimler AG, Mercedes-Benz

AG, and Daimler Truck AG. 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. In Germany, comprehensive regulations to this effect are contained in the Works Council Constitution Act. We notify our employees about far-reaching changes early on.

## Responsibility for good human resources management

The Human Resources (HR) unit is divided into nine sub-units. Seven of these are active as business partners of Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks and Buses, Daimler Mobility AG, the central divisions, and the Region Greater China. In addition there are two cross-sectional units: for Labor Policy and Law, and Human Resources Development; and for HR Services and Organization.

The leadership of the Human Resources unit and the position of Labor Relations Director are held by a member of the Board of Management of Daimler AG. The Human Resources unit adopts a strategy enabling it to offer innovative and efficient solutions

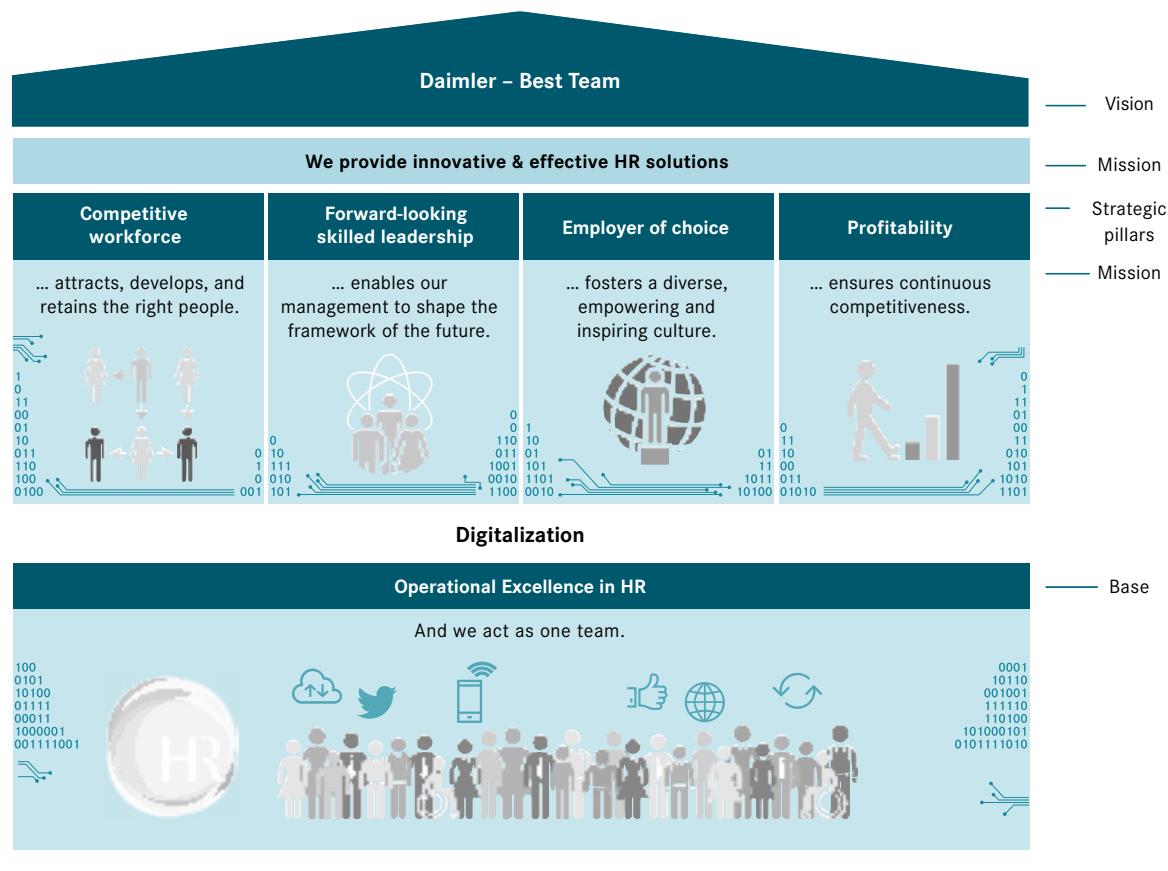
for the Group. The objective is to obtain a competitive workforce, excellent leadership, and profitability and to support a culture of diversity and empowerment. The Human Resources & Labor Relations Director's management team regularly monitors the implementation of the strategy and decides on supportive measures.

## Targets and progress measurement

We can only be successful as a Group if we attract, develop, and retain qualified employees. That's why we want to remain attractive worldwide as an employer and to motivate our employees to top performance in the new digital world. Our management staff plays a key role here, so it is crucial that we anchor outstanding leadership capabilities within our management. In addition, we want to take on our social responsibility and let diversity flourish in our global company.

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

### 8.1 HR Strategy 2025



HR eData Manager Reports serve as another control tool. These reports are available to all managers as a self-service feature. They contain KPIs and detailed information on the respective areas of responsibility.

## How we further boost employer attractiveness

GRI 103-2

We have introduced numerous measures and programs that allow our employees to organize their working times flexibly in line with their individual situation. We also offer all employees opportunities to continuously refine their skills and qualifications and to integrate new work methods and learning techniques into their daily activities.

### Reconciling work and family

GRI 401-3

In 2019, 4,783 employees of Daimler AG, Mercedes-Benz AG, and Daimler Truck AG took up the offer of parental leave including partner months. Of these, 78 percent were male (2018: 82 percent). We offer our employees in Germany 705 places in company daycare centers. In addition, we can turn to cooperation partners to arrange a further 200 childcare opportunities. In addition, we also offer places for children from refugee families in Stuttgart and Kassel. We have also set up parent-child rooms at several locations and offer childcare services at business events. We are also continuing to expand our range of places in daycare centers at new locations.

We have created further offers to help Daimler Group employees within Germany better reconcile their professional and private lives.

For example, our employees can also stay abreast with events at the Group during parental and family leave via the Social Intranet and can access the internal job exchanges using their private computers. We also support mothers and fathers by using checklists during the transition to parental leave, for maintaining contact in the meantime, and for 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. A particular feature at Daimler in Germany is customized coaching to prepare mothers and fathers for their upcoming reintegration into the Group.

Specially trained personnel are available in the HR Service Center to answer questions related to parental and family leave, reductions in working hours, and home health care.

### Flexible working arrangements

Today's living and working conditions require working times to be flexibly organized in accordance with individual needs. In many cases, this can contribute to improvements in the performance and satisfaction of employees and managers. For this reason, we support them with a wide range of flexible working

options that make it easier for them to reconcile their work with their personal lives. Examples of these options include mobile working, reduced working hours, and job sharing. Furthermore, employees have the opportunity to leave the company for a number of years with a guaranteed option to return – for example, to take a sabbatical, study for a qualification or care for relatives.

### Job sharing

Daimler promotes job sharing, in particular for managers who share a task while working part-time. This is especially helpful for managers who wish to better reconcile professional and private life. Job sharing has also proven to be a successful model for the Group. A tandem job share with two people uniting their mixture of experience, strengths, and networks brings better results.

In order to enable job sharing, a target group-related internal matching platform has been in existence since 2015 and was joined by a job-sharing community in 2019. Part-time forums and regular meetings help participants to have discussions and get to know one another.

The number of tandem job shares at the management levels has increased threefold within the last three years. There were 210 tandem job shares in 2019.

### Leadership 2020 – further development of the management culture

In order to remain successful in the future, we work constantly to improve our management culture and the way we cooperate. This is why we launched the Leadership 2020 initiative in 2016. Employees from more than 23 countries and all levels of the hierarchy, and of all ages and genders, have participated in the process of shaping our future management culture.

Eight Leadership Principles were developed in this way in a Group-wide participative process: Pioneering Spirit, Agility, Purpose, Learning, Empowerment, Co-Creation, Customer Orientation, and “Driven to Win.” These principles are intended to make the Group faster and more flexible and boost its innovative potential. That’s why they are also core elements of our feedback processes (“My feedback”). The Leadership Principle Pioneering Spirit, for example, is concerned with driving forward our vision of sustainable mobility with creativity and an inquiring mind.

We know that we have to recognize new challenges early on and master them quickly in order to be successful in a global and complex world. This aspect is described by the Leadership Principle Agility.

We have also set up eight sub-projects known as “game changers” within the framework of our “Leadership 2020” initiative. These are Feedback Culture, Performance Management, Best Fit, Digital Transformation, Swarm Organization, Decision Making, Incubator, and Leadership Role and Development. The game changers are geared toward questioning and changing

procedures and structures that range from decision-making processes and organizational structures to work methods and tools. Three examples of how we have interpreted the game changers for our work are outlined below.

### The HR development system IMPULSE

GRI 404-3

We have brought together the concepts developed for the game changers Performance Management, Feedback Culture, and Best Fit in our HR development system IMPULSE, which has been in use for all executives and Level 4 management staff since 2019. An essential focus of the system is on the ongoing individual further development of all managers. We put the tools in their hands to enable them to actively drive this development forward themselves. One example of that is “My feedback.”

Managers receive feedback from their supervisors, the employees, and their colleagues as part of this feedback process. They can utilize this feedback to improve their leadership and social skills.

### Digital transformation

The game changer “Digital Transformation” aims to optimally exploit the opportunities offered by the digital transformation. It is intended to enable employees and managers to actively shape the future in their respective areas of responsibility. The active phase of the game changer “Digital Transformation” was completed in February 2019. The approaches introduced during this phase included for example “Reverse Mentoring,” in which “digital natives” shared their knowledge with experienced managers, or the “Digital Collaboration Tool Compass.” Following the conclusion of the game changer we transferred these approaches into the line organization of the Group.

### Swarm organization

By 2020, a growing part of our workforce is expected to work in “agile” structures, including swarms across all levels of the hierarchy. Swarms are created wherever complex questions arise and the answer is not yet foreseeable. New virtual and connected tools and forms of work are needed for this. Two idea exchanges are available to our employees on the Social Intranet: the idea management platform for process improvements and the “Crowd Ideation Platform” for new business ideas. We also operate an incubator for business ideas in the form of the “Lab1886.” In this way we provide at four locations on three continents the infrastructure, the resources, and the project support required in order to rapidly develop and launch new business models on the market.

The “Leadership 2020” initiative will continue over the next few years as “Leadership 20X”. In addition, the Board of Management regularly discusses the progress of the Leadership 20X initiative and decides what measures still need to be taken.

### DigitalLife@Daimler

Daimler made the digital transformation a key component of its sustainable business strategy at an early date.

In 2011 we launched the DigitalLife@Daimler initiative, with which we support the digital transformation in all business divisions at Daimler and forge ahead with digital topics in an integrated manner and across all units. This requires good ideas and new formats of cooperative working. The task of the DigitalLife@Daimler initiative is to bring together both ideas and people and to make innovations visible and drive forward their implementation internationally, across disciplines, and beyond organizational structures. We follow the four lines of advance #transform, #ideate, #collaborate, and #change.

- We want to use #transform to position the Group as the “Automotive Digital Leader” via a strategic model. To this end we forge ahead with topics such as artificial intelligence that are meaningful for the entire Group, identify digital trends, and ensure that digital knowledge is sustainably anchored internally and is passed on.
- We use #ideate to support and tap into creativity, both within the Group and beyond the confines of the company. Internally we use formats such as “DigitalLife Open Spaces,” “Innovation Camps” or “Creative Play” workshops to substantiate and validate ideas. All employees can evaluate, comment on, and even – with the help of initial project budgets raised by crowdfunding – fund ideas on the Group-wide “DigitalLife Crowd Idea Platform.” As part of the DigitalLife Campus, our global hackathon series, we work with digital talents on real problems and bring the best teams into a wider exchange with Daimler – either as development partners or as future employees of the Group.
- The purpose of #collaborate is to intensify connected collaboration and to boost our agility and innovative power. To do so, we are making our own work transparent on the Social Intranet and supporting networking, for example via the “Working Out Loud” methodology, qualifying Community Managers, and providing orientation via a “Digital Collaboration Tool Compass.” We are promoting intergenerational learning and bringing managers together with “digital natives” through “Reverse Mentoring.”
- With #change we are supporting lifelong learning as a way of preparing employees throughout the Group for the coming cultural and technological transformation. We are promoting an open working culture by using formats such as “Fail’n’Learn Nights.” The “DigitalLife Days” provide an insight into digital projects while simultaneously offering professional development opportunities for our employees. The 2019 DigitalLife Day focused on sustainability and efficiency through digitalization.

### The Social Intranet at Daimler

In 2018 we standardized the internal digital world of news, collaboration, and information at the Daimler Group with our Daimler Social Intranet. This enables employees to use personal profiles to communicate with colleagues, collaborate in virtual workspaces, and network with people at any Daimler location worldwide. The Daimler Social Intranet creates new possibilities for cross-functional and cross-departmental cooperation and open, and dialog-oriented communication.

The Daimler Social Intranet helps employees to successfully shape the digital transformation. It also enables them to put the new Daimler leadership principles into practice and experience the company's cultural transformation at first hand.

### Global Employer Branding

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, Instagram, and Xing, as well as Daimler AG on LinkedIn) support all activities in the area of employer branding. We are also attracting further attention to Daimler as an employer by implementing target group-specific and image-enhancing advertising measures. One example of this is the "Next Big Thing" video campaign, which is targeted at experts in the field of IT and artificial intelligence. We have also published the "Insights" interview series and the "People of Change" film series in order to present an authentic picture of the working world at Daimler. Alongside these media measures, personal interaction with interested job seekers, for example at national and international career fairs, is especially important to us.

### How we evaluate 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. The survey is conducted every two years, after being fundamentally reworked in 2018. It showed that seventy-five percent of the employees who participated reported that they are satisfied or very satisfied with Daimler as an employer and that they are proud to work at Daimler. 71 percent saw digitalization as an opportunity for themselves; 55 percent reported that their working environment supported them in acquiring or deepening the skills required for the digital transformation. The next employee survey will take place in the fall of 2020.

Our employees' loyalty to the company is also expressed by the average amount of time they have worked for Daimler. This has risen slightly in the reporting year and has reached 16 years (2018: 15.8 years). In Germany, employees had worked for Daimler for an average of 19.5 years at the end of 2019 (2018: 19.4 years). The comparative figure for Daimler AG, Mercedes-Benz AG, and Daimler Truck AG was 20.4 years (2018: 20.2 years). Daimler employees outside Germany had worked for the Group for an average of 10.9 years (2018: 10.6 years). In 2019, our fluctuation rate amounted to 6.0 percent worldwide (2018: 4.9 percent).

### Fluctuation rate (in %)

GRI 401-1

	2015	2016	2017	2018	2019
Europe*					4.6
thereof Germany	3.4	3.1	3.4	3.7	3.5
NAFTA*					12.7
Asia*					7.9
Rest of world	8.6	10.4	7.5	5.5	5.7
<b>Total</b>	<b>5.4</b>	<b>6.7</b>	<b>5.1</b>	<b>4.9</b>	<b>6.0</b>

\* New figure (no previous data)

**Parental leave – entitled employees\*****GRI 401-3**

	2015	2016	2017	2018	<b>2019</b>
Men	120,553	118,171	117,800	118,025	<b>117,375</b>
Women	20,068	20,209	20,928	21,814	<b>22,074</b>
<b>Total</b>	<b>140,621</b>	<b>138,380</b>	<b>138,728</b>	<b>139,839</b>	<b>139,449</b>

\* Daimler AG, Mercedes-Benz AG, Daimler Truck AG

**Employees on parental leave\*\*/\*\*\*****GRI 401-3**

	2015	2016	2017	2018	<b>2019</b>
Men	1,888	1,999	3,130	3,192	<b>3,733</b>
Women	868	805	823	685	<b>1,050</b>
<b>Total</b>	<b>1,888</b>	<b>2,804</b>	<b>3,953</b>	<b>3,877</b>	<b>4,783</b>

\* Daimler AG, Mercedes-Benz AG, Daimler Truck AG

\*\* Return rate 99.9%

## PEOPLE

# Promoting diversity and equality

At Daimler, we encourage equal opportunity and a culture of appreciation and respect – a culture in which one's ethnicity, age, gender, individual physical capabilities, and sexual identity or orientation have no bearing whatsoever on one's job or career. That's because people are more motivated, more capable, and more satisfied when they can bring their entire personality to work with them.

## Diversity as an opportunity

GRI 103-1

The diversity of our employees reflects the diversity of our customers. It helps us to find new viewpoints and acts as a driving force behind creative ideas and innovations. In this way, diversity makes us more successful as a company and creates clear competitive advantages. For us, inclusion means treating the diversity of our employees consciously, inclusively, and appreciatively, with the aim of including and treating all of them equally. Respect and a natural acceptance of diversity develop when we all champion cooperation without discrimination. This kind of working environment is vital if we are to actually make use of the potential of diversity.

## How we shape diversity within the company

GRI 103-2

The Board of Management holds regular discussions (on a quarterly basis over the past few years) of the Group's diversity management targets, activities, and results. The Diversity Update contains a report on the number of women in management positions and, if required, information on Group-wide projects. We require of our entire workforce an appreciative, respectful interaction with each other. 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. We also hold discussions with external stakeholders on topics related to diversity – for example as part of our involvement in the Diversity Charter, of which we are a founding member.

## Principles and policies

All the members of the Daimler Board of Management support our Diversity Statement and actively 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.

## Group-wide and Group company agreements

The principle of equality between men and women has been set out in binding form at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG in company-wide agreements on "The Advancement of Women" and "Equal Opportunity." Furthermore, our policies regarding diversity and equal opportunity are described in our Integrity Code and our Group-wide "Fair Treatment in the Workplace" agreement.

## Guidelines

The "Trans\*@Daimler guideline" is aimed at managers, human resources units, and employees. It offers an example of how we actively promote equal opportunity and a work environment free of discrimination. The guideline, which was developed in cooperation with our transgender community, explains our in-house regulations and contains a corporate statement for strengthening the status of transgender colleagues.

## External guidelines

We also anchor our principles publicly through our membership of associations and by signing standards and principles (year of membership or signature):

- UN Global Compact (2000)
- Charta der Vielfalt e. V. (2006)
- Women's Empowerment Principles (2013)
- FidAR e. V. (2010)
- Initiative of the UN Global Compact to combat discrimination against homosexuals, bi, trans, and intersexual (LGBT+) people (2019)
- HIV declaration of the Deutsche AIDS-Hilfe (German AIDS service organization) (2019)

## Reporting unfair behavior

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. In conversations with all the individuals involved, we examine the matter in depth and document it. Additional points of contact are the "Infopoint Integrity" and the whistleblower system BPO (Business Practices Office). In this way, all staff members around the world, as well as external whistleblowers, can report violations that pose a high risk to the company and its employees. These also include severe cases of sexual harassment, discrimination, and racism as well as misconduct that could pose a threat of serious damage to the reputation of the company. In verifiable cases we will take action under employment law. Such action will be proportionate to the severity of the violation.

### The whistleblower system BPO

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 cases of misconduct and making decisions about their consequences.

## Our targets

GRI 405-1

Diversity management is part of our sustainable business strategy. Our associated objectives and areas of action are:

### **Best mix: putting together the best teams, which offer equal opportunities and are free of discrimination**

Our aim is to increase the share of women in management positions to at least 20 percent by the year 2020.

The share of women in such positions stood at 19.8 percent at the end of 2019. 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 stipulates a target corridor for the proportion of women in the total workforce, in vocational training, and in Level 4 and 5 management positions. In order to achieve our goals, we have installed an ongoing internal reporting and planning system. In addition, numerous measures have been implemented, ranging from recruiting to the further development of employees and career advancement for women employees.

We have set ourselves the following goals regarding the composition of the most important boards and committees:

- In line with a further legal requirement, the Supervisory Board defined a target of 12.5% for the proportion of women on the Board of Management, with a deadline of December 31, 2020.
- 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 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. Wherever 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.

### Management Report, Employees, AR 2019

Our inclusion agreement for severely disabled persons also requires us to hire 23 severely disabled trainees each year.

### **Work culture: creating a supportive and inclusive working environment**

We create a working environment that is characterized by respect and equality of opportunity and working conditions that motivate and encourage our employees. We have introduced diverse measures and programs that enable our employees to organize their working times flexibly in line with their individual situation. This option helps employees reconcile the needs of their professional and private lives. 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 professional activities.

One important indicator in the area of employees is derived from the results of the Daimler 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, sex, age, disability or other characteristics that are not relevant to their job performance."

### **Customer access: understanding, appreciating, and reaching customers as individuals**

We are aware of the individual lifestyles and demands of our customers and develop products and services that correspond to their needs. This is how we reach the widest range of target groups. Our goal is to enable more mobility for people – mobility appropriate to themselves and their lifestyle.

We offer automobile-adaptive equipment, for example control assistants and power steering, pedal extenders, and swivel seats for our customers with impaired mobility.

We have set ourselves the goal of making Mercedes-Benz the most attractive premium automobile brand for women and substantially raising the share of women buyers by 2020. We launched a corresponding initiative in order to directly address women in 2015. Among other features, this includes the “She’s Mercedes” inspiration platform, training of sales employees, more female sales personnel, and the development of new services in the areas of aftersales and mobility services. Today “She’s Mercedes” is active in over 60 markets worldwide.

### **Measures for an appreciative corporate culture**

GRI 103-2

We promote a respectful and equitable working environment. This begins with recruiting, includes equality of opportunity in our dealings during everyday work, and an extremely wide range of consciousness-raising measures – from days of action to training courses and participation in Pride parades.

### **Diversity in recruitment**

Top performance is not a question of sex, age, origin or other diversity factors. We also take this principle into account when selecting new employees. One example of this is INspire – The Leaders’ Lab – our [trainee program for talented young managers](#). The various modules of our online test can be taken in 40 different languages. We pay attention to ensuring the greatest possible diversity in the composition of the observers at our selection events. In addition, applicants with documented weaknesses in reading and/or writing receive extra reading time during the online test. We record a proportion of 55 to 70 percent international applications in all of our INspire recruiting processes. Around every third application is from a woman (30 percent). Special guidelines, which are described in the inclusion agreement, are in effect for the recruitment of severely disabled employees.

### **Promotion of women**

We have set ourselves the goal of promoting women at all levels of the company. We have introduced a number of measures for this purpose – from fostering young talent in schools to recruiting and individual professional development.

With actions such as the “Girls’ Day” and the “Genius” education initiative, Daimler is pursuing the goal of arousing the interest

of girls in particular in technical careers and promoting young women engineers. We also address women as a specific target group at college career fairs and “Women Career Days.”

### Qualifying our employees for tomorrow

In order to prepare women for management positions, we offer special leadership workshops or mentoring programs, for example. 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).

### **Internationality**

Daimler’s around 300,000 employees from over 160 countries provide the Group with a vibrant mixture of cultures and ways of life. Most of our managers abroad come from the respective regions. Our employees’ diverse cultural backgrounds help us to better understand the wishes of the customers in each region and tailor our products accordingly. We support our employees with worldwide staff assignments, mentoring, intercultural skills training, and targeted recruiting measures. Our company’s intercultural scope is also increased by the fact that international candidates account for more than a third of the people recruited through our trainee program.

### **Worldwide employee assignments**

To promote global thinking, personal development, and an understanding of new cultures and worlds of work, around 2,000 Daimler employees from nearly 50 countries are taking part in international assignments throughout the world. By far the most important region in which assignees from Germany work is China, with a share of about 30 percent. It is followed by United States at 17 percent and Mexico at 7 percent. Other important target countries include Hungary, Japan, and South Africa.

However, we also promote the assignment of employees from our global locations to Germany as “impats” or to other countries so that they can build up networks and share and deepen their know-how. Such employees also help to make Daimler more international. We currently have around 140 global assignees in Germany, with most of them coming from the United States, China, India, and Brazil. Furthermore, 296 employees from outside Germany work in other countries, mostly in China and the United States. They mostly come from the United States, Brazil, South Africa, and Japan.

### **Employees with severe disabilities**

Employees with disabilities are an important and fully integrated part of our diverse workforce. Daimler AG already exceeded the legal quota of 5 percent disabled employees in previous years. Almost 9,000 employees with disabilities worked at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG during the reporting period. Training for young people with disabilities is particularly important to Daimler. As early as 2006, we began cooperating with the severely disabled persons’ representative to put together a plan of action for taking on severely disabled trainees.

Over the last five years, 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.

### **Generation diversity: keeping up performance**

The average age of our global workforce in 2019 was 43 years. Our employees at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG had an average age of 45 years. Demographic developments and the increasing prolongation of professional life will lead to a further rise in the average age of the workforce in the years ahead. We see this transformation as an opportunity and are adjusting the framework conditions accordingly. Our generation management system focuses on measures for supporting the capabilities and health of younger and older employees as well as for promoting cooperation between people of different ages. Our generation management activities include the following focal points:

- We evaluate our workplaces with regard to their ergonomics. In this way we want to ensure that our employees can work there without risks to their health. New technologies such as human-robot cooperation will make it possible to further reduce the physical demands of workplaces in production in the future.
- As part of our training courses, we raise our employees' awareness of demographic challenges.
- Our Senior Experts Program offers experienced retired employees the opportunity to come back to work and contribute their expertise to various projects for a maximum of six months. More than 800 assignments of senior experts have taken place since this program was launched in 2013.

### **Consciously experiencing diversity: Daimler Diversity Day**

At Daimler we treasure the multifaceted experiences, perspectives, and skills of our employees. One day in the year is specially devoted to the topic of diversity: Daimler Diversity Day. Consciously experiencing diversity, taking in new perspectives, and understanding how all employees can profit from active diversity management – these are central objectives of Daimler Diversity Day. This day took place for the seventh time in 2019. Our motto is "Changing Perspectives. Ready to Be Different."

Originally launched within the framework of the Diversity Charter initiative as a nationwide event in Germany, Diversity Days are now held at Daimler locations on all continents around the globe. In 2019 a large number of hands-on activities once again invited people to take a look at their own surroundings from a different perspective – that of a wheelchair user, a colleague with limited vision or colleagues with unusual life stories, for example. And of course the traditions and customs of other cultures were also highlighted.

### **Showing your colors: Daimler Pride Tour 2019**

Our international commitment underscores our social contribution to diversity and inclusion and demonstrates that Daimler

stands for appreciation and openness worldwide. This is a joint initiative of the Group, the employee representatives, and the Employee Resource Groups. In 2019 we once again joined a worldwide demonstration of respect and diversity. From June to November, the Daimler Pride Tour traveled from the United States via Asia and Europe all the way to South Africa and South America. Around 2,000 employees worldwide participated in 15 parades and events of the Daimler Pride Tour 2019. Their shared motto is "We live diversity!" Alongside the LGBTI+ networks GL@D (Gay Lesbian Bisexual Transgender at Daimler), Spectrum, and Equal, further Daimler networks are also supporting the Daimler Pride Tour this year.

### **Involvement in employee networks**

Networks enable employees with shared interests, experiences, and values to discuss various issues across all business units and hierarchical levels. They help to make diversity a firm component of our company and they also support a culture of diversity and appreciation at Daimler. Networks also often facilitate the rapid and creative development of solutions and can serve as important partners for projects and events.

Daimler has 12 official Employee Resource Groups that bring together around 5,500 employees and are supported by the Global Diversity Office. These are mostly intercultural, women's, LGBTI+, and role/organization-specific networks that are generally active Group-wide. In order to also promote interaction between the networks, the Global Diversity Office organizes regular meetings for the networks' spokespersons. In addition, minority spokespersons are present at various locations, for example in the United States and South Africa.

### **Training and awareness-raising for employees and managers**

Daimler informs its employees worldwide about the topics of diversity and inclusion. In addition, employees and managers can become part of the Global Diversity Community. This Social Intranet community offers an opportunity for networking and for sharing information. In addition, here we provide information about the strategic orientation and the areas of action of Diversity Management along with facts and figures, and offer courses and training programs. A web-based training program that supports the process of breaking down prejudices is available to all employees worldwide on the Social Intranet.

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

### **"Charta der Vielfalt" employer initiative**

Daimler is a co-initiator and founding member of the employer initiative "Charta der Vielfalt" (Diversity Charter) (2006). The Charta der Vielfalt drives forward the substantive discussions of

diversity management in Germany by means of various projects such as the Diversity Day. Over 3,300 companies and institutions have already signed the Charta der Vielfalt.

The Diversity Challenge team competition took place for the first time from July 2018 until June 2019. Young people between the ages of 16 and 27 could take part with concrete activities to promote diversity in the workplace. Daimler was represented by two teams from the ranks of the trainees. The team from the Mercedes-Benz Bremen plant took first place in the competition category for large companies. The team developed a game to raise awareness of the topic of diversity.

Daimler is a partner of the DIVERSITY Conference, which is staged by the Charta der Vielfalt in cooperation with the "Tagesspiegel" newspaper. In 2019 Daimler implemented a new format as part of a sponsorship. It is called "Debating Diversity" and involves discussing the question of what digitalization can do for inclusion and which risks have to be taken into account.

## How we evaluate the effectiveness of our management approach

GRI 103-3

Beyond the current legal requirements, since 2006 we have been setting clear goals for increasing the proportion of women in the various business units and we check every month or quarter to see how we are progressing. For example, Daimler has defined its own target for the proportion of women in executive management positions at the Group level over a period of several years. This target calls for a proportion of 20 percent by the end of 2020. The share of women in such positions stood at 19.8 percent at the end of 2019. Women currently account for 19.0 percent of the total workforce worldwide.

As the supervisory board of a listed company subject to parity codetermination, the Daimler AG Supervisory Board is legally required to have a gender ratio of at least 30 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 as well as the side representing the employees. In line with a further legal requirement, the Supervisory Board defined a target of 12.5 percent for the proportion of women on the Board of Management, with a deadline of December 31, 2020. This target has been clearly surpassed, as the proportion of women on the Board of Management is currently 25 percent. The Board of Management defined a target of 15 percent for the proportion of women in the first and second management levels of Daimler AG below the Board of Management, with a deadline of December 31, 2020. As of December 31, 2019, the proportion of women at the first management level below the Board of

Management was 12.5 percent; at the second level it was 23.8 percent.

In the Daimler employee survey we ask our employees to say to what extent they agree with the following statement: "Everyone in this company is treated fairly – independently of their ethnic or cultural background, sex, age, disablement or other characteristics that are not relevant to their job performance." In this way, every two years we find out how the employees evaluate equality of opportunity within the Group.

In 2019 we also received external recognition for our commitment to inclusion with the award of the "Inclusion Prize of the German Economy 2019." This prize is an initiative of the Federal Employment Agency, the Confederation of German Employers' Associations, Charta der Vielfalt, and the UnternehmensForum, under the aegis of Hubertus Heil, the Federal Minister of Labour and Social Affairs. The prize honors companies that carry out exemplary projects and activities to train and employ people with disabilities, to continue employing employees who have become disabled or to maintain their employability. Daimler applied with projects including the plan of action for training young people with disabilities, the Buddy project, the "Diversity Challenge", and the "Digital Barrier-Freedom" initiative. Our application documents were also designed to be completely barrier-free, for example through the use of a text-to-speech function. The award jury particularly honored the fact that Daimler has permanently incorporated inclusion into its corporate culture.

### Female workforce

GRI 405-1

	2015	2016	2017	2018	2019
Europe	34,969	36,285	38,696	40,718	<b>40,604</b>
NAFTA	6,851	6,208	7,030	8,130	<b>7,915</b>
Latin America	1,742	1,652	1,657	1,708	<b>1,771</b>
Africa	1,555	1,371	1,466	1,514	<b>1,539</b>
Asia	3,805	4,250	4,484	4,658	<b>4,692</b>
Australia/Pacific	286	305	303	314	<b>314</b>
<b>Total</b>	<b>49,208</b>	<b>50,071</b>	<b>53,636</b>	<b>57,042</b>	<b>56,835</b>

### Female workforce by group

GRI 405-1

	2015	2016	2017	2018	2019
Industrial	10,228	9,526	11,116	12,578	<b>12,626</b>
Administration	34,415	35,726	37,258	39,073	<b>39,361</b>
Trainees	1,779	1,772	1,839	1,814	<b>1,706</b>
Interns/diploma students/ doctoral students	2,786	3,047	3,423	3,577	<b>3,142</b>
<b>Total</b>	<b>49,208</b>	<b>50,071</b>	<b>53,636</b>	<b>57,042</b>	<b>56,835</b>

### Female workforce: other key figures (in %)

GRI 405-1

	2015	2016	2017	2018	2019
Percentage of women	17.3	17.7	18.5	19.1	<b>19</b>
Percentage of women in Level 1 to 3 management positions	15.4	16.7	17.6	18.8	<b>19.8</b>
Percentage of women at the second management level below the Board*		12.4	11.9	14.4	<b>23.8</b>
Percentage of women at the first management level below the Board*		8.1	8.7	11.8	<b>12.5</b>
Percentage of women on the Board of Management	12.5	12.5	25.0	25.0	<b>25.0</b>
Percentage of women on the Supervisory Board	25.0	25.0	25.0	30.0	<b>30.0</b>

\* Daimler AG

**Further diversity indicators**

	2015	2016	2017	2018	2019
Percentage of severely disabled persons* (in %)	6.3	6.2	6.2	6.3	-
Daimler AG					<b>6.0</b>
Mercedes-Benz AG					<b>6.3</b>
Daimler Truck AG					<b>5.6</b>
Number of nations	161	161	165	164	<b>165</b>
Average age of workforce	42.5	42.7	42.8	42.7	<b>43</b>

\* Due to the new corporate structure since 11/1/2019, the severely disabled rate for 2019 is reported for the individual companies Daimler AG, Mercedes-Benz AG and Daimler Truck AG.

## PEOPLE

# Qualifying our employees for tomorrow

Our employees are the key to Daimler's worldwide success. This is why we invest extensively in their training and professional development and continue to enhance our HR development program. Good career opportunities are our flagship in the labor market.

## A strategic approach to training and professional development

GRI 103-1

Acquiring highly qualified employees for demanding occupations and retaining them within the Group – this is the task of our HR development. We accompany all of the important phases of an individual training and professional career path with comprehensive training and professional development programs and promotion measures.

Occupational profiles and activities are changing faster and faster. That is why we take a long view in the development of our training plans and learning formats. The same goes for hiring young talents. We too have recognized that more and more young people want to go directly from high-school graduation to a university. The dual system of training remains a model of success for us. This is because we will only accomplish the technological transformation with well-qualified specialists who can combine theory and practice. We address young people in Germany by means of innovative training marketing. Our attractiveness as an employer to these and other target groups is proven by the annual study of employer branding conducted by the Trendence consulting and market research company. For the first time, we are now the most popular vehicle manufacturer among schoolchildren. We reached fourth place in the overall ranking of the most attractive employers in the opinion of schoolchildren in Germany in 2019.

Due to electric mobility and digitalization we are currently experiencing the greatest ever structural change in the history of the automotive industry. Our objective is to prepare all of the Group's employees for this change in a targeted manner. That's why we are continually qualifying them for technological change and making them familiar with new requirements. The approach we employ makes use of digital learning formats and the qualification of employees directly at the workplace. This way we are establishing and further developing the necessary expertise. This ensures the long-term employability of our employees in a changing environment.

Many current challenges also affect our HR work. In order to meet them, we must create suitable conditions for a variety of professional training methods – for example, for formal and informal learning, self-paced learning methods, and on-the-job qualification. This requires taking into account all of the employee groups with their respective empirical knowledge and their expertise. Furthermore, we have to react to the fact that

the time available for learning is decreasing, although the rapid technological development of products and systems demands a fast and flexible transfer of new knowledge. Last but not least, our task is to promote the motivation and capability for lifelong learning among all of our employees.

## How we organize training and professional development

GRI 103-2

Daimler structures its training and qualification process with an overall system of rules and regulations. From the Board of Management to the Daimler Corporate Academy and the trainers at the plant level, we pursue the goal of increasing agility throughout the company. We have also established a strategy process for the development of our future workforce that we use to review and realign our objectives and measures.

## Company-wide agreement on qualification

The "company-wide agreement on qualification" regulates professional training at Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Brand & IP Management GmbH & Co. KG. We reached this agreement together with our employee organizations. It strengthens the joint responsibility of managers and employees for qualification and is intended to 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 develop their personal qualifications. In addition, it 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 both parties agree on the next qualification step. Overarching qualification focal points are agreed annually at the plant level between the company management and the Works Council and are oriented to the production program of the plant, among other factors.

The company-wide agreement also specifies that employees may continue their educational path outside the company.

They have the option to obtain further qualification by leaving the company for up to five years with a guarantee that they can return. In 2019, around 325 (2018: 323) employees took this opportunity. This enables our trainees to begin a further qualification outside the Group immediately on completion of their training and to subsequently return to Daimler. They can use this time to become a master craftsman or to begin a degree course, for example.

In 2019 Daimler AG, Mercedes-Benz AG, and Daimler Truck AG invested €114 million (2018: €123 million) in the qualification of their employees in Germany; on average, the employees spent 2.7 days (2018: 3.2 days) per year on further qualification.

### **Centrally and decentrally based human resources development**

The Daimler Corporate Academy helps the Group develop a new management culture and world of work. The central mission of the Academy is to safeguard the further development of managers throughout the Group and around the globe within the framework of a leadership program. It comprises compulsory modules and voluntary bookable offerings. Furthermore, the Daimler Corporate Academy is responsible for the specialist qualification of all employees and managers in the IT, HR, Procurement, Finance, and Controlling units and in the executive divisions in close coordination with internal and external experts in the respective fields. In addition, the Daimler Corporate Academy offers all employees and managers in Germany the possibility of acquiring an interdisciplinary business qualification and improving their individual language skills. This is supplemented by digital offerings worldwide. The Corporate Academy also offers Daimler Academic Programs that enable employees to pursue a course of study while they continue to work, for example. The Academy addresses schoolchildren and teachers through the Genius knowledge community. Its goal is to promote enjoyment of and interest in scientific and technical subjects.

The international training services provider Global Training supports the Mercedes-Benz Retail Organization in the successful structuring of customer relationships and knowledge management. Global Training uses digital and innovative methods to show our sales employees how they can work successfully in a rapidly changing competitive environment. The training concepts are developed in close cooperation with the Research and Development unit and the relevant business units and market organizations.

We have standardized the training content across locations and business divisions in the "Daimler Training System" for Germany. The content is continually updated in a clearly defined process. Our production locations are responsible for the on-site qualification of managers and specialized employees in manufacturing.

At many of our international locations, we are creating our own company training centers and qualification structures or supporting the respective regions' offers. Furthermore, we are also establishing dual education elements outside Germany.

### **Strategic 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 the questions that we are addressing within the framework of our "Strategic Resource Management".

Strategic Resource Management is a methodology for observing quantitative and qualitative aspects of workforce development. We collect quantitative data using the "Jobfit" tool. In 2019 we also used other methods to analyze strategically relevant abilities. Here we compare specialist, methodological, and social skills with future requirements.

Strategic Resource Management uncovers potential quantitative and qualitative bottlenecks in specialist units using the methodology described above. A quantitative aspect would be, for example, a shortage of specialists in a future-relevant focus group due to employee turnover or drastically increased personnel requirements. 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.

### **Goals and strategic areas of action**

The goals of our training and professional development programs are to offer our employees opportunities for lifelong learning and to safeguard the competitiveness of our company. In order to accomplish this, we have defined strategic areas of action for professional education over the next five years. These areas include the transformation of mobility, agility in professional education, digital education projects, and internationalization. The areas apply equally to Daimler AG, Mercedes-Benz AG, and Daimler Truck AG.

### **Recruiting talents and developing career paths**

GRI 103-2 GRI 404-1/2

Our broad range of career-entry and qualification programs is targeted at talented young employees, to whom we offer development opportunities at our company.

### **High-quality vocational training**

In Germany we recruit most of the young talent we need through our industrial-technical and commercial apprenticeships and the dual study program. We developed the "Daimler Training System" for technical apprenticeships in Germany. This system enables us to maintain the high quality and efficiency of our in-house training.

At the end of 2019 the Group had 7,937 trainees worldwide (2018: 8,061), including 1,884 abroad (2018: 2,046). The costs for training for Daimler AG, Mercedes-Benz AG, and Daimler Truck AG in 2019 amounted to €120 million (2018: €124 million). At international locations such as those in China and India, more than 8,250 (2018: 6,500) young people were trained and qualified in cooperation with schools and in other training models. This figure is increasing.

Trainees profit from excellent employment prospects. All of the trainees at Daimler AG, Mercedes-Benz AG, and Daimler Truck AG who successfully completed their training were hired in a process that was agreed on with the employee representatives.

### Skilled workers

Employees who have successfully mastered their first five years and who now wish to specialize can participate in the "Skilled Worker in Focus" development program. This is offered at German production locations of Mercedes-Benz AG and Daimler Truck AG. In 2019, 76 employees took part in this program.

Programs such as "Skilled Workers in Focus" and the team leader development program ensure that employees also receive non-specialized general training and education according to uniform standards. The participants are given the opportunity to gain good career prospects and plan concrete development goals. We also focus especially on the development of talented young managers.

### Students at the Dual University

Daimler also offers dual work-study programs for 13 internationally recognized bachelor courses of study at 13 Group locations throughout Germany. The knowledge transfer is supplemented by internships in Germany and abroad. In 2019 we had over 199 (2018: 184) students at the Cooperative State University; each year we offer to hire all of our students who complete the program.

### Daimler academic programs

Since 2010, Daimler has been offering specific employees the opportunity to pursue a course of study while they continue to work. In cooperation with selected universities and colleges, the programs enable employees to earn academic certificates, bachelor's degrees, master's degrees, and doctorates at any point in their professional careers. The portfolio we promote contains selected courses of study and academic certificate programs at a variety of universities and colleges in Germany and abroad. The range of courses is supplemented by digital learning formats. The content of the portfolio is oriented toward the Group's strategic and specialist focal topics.

### Recruiting the experts

To supplement our standard recruiting process, we have an 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 cybersecurity and to machine learning software developers. We directly contact potential applicants on platforms such as LinkedIn. We want the active online search for candidates and the digitalization of the recruiting process to open up previously untapped target groups and enable us to attract candidates who have especially valuable profiles.

### INspire

INspire is the name of a series of international talent training programs that optimally prepare young professionals for their careers. Each one of our talent training programs offers

cross-unit insights, training, and personal coaching. We have hired 110 talents since the INspire programs were launched in 2018. Of these highly talented individuals, 49 are women and 39 of all talents hired come from outside Germany. Because we are striving to recruit and promote our future managers from our existing workforce, the INspire program addresses a select target group.

### INspire – the Leaders' Lab

This new trainee program of the INspire series is targeted at young managers from all over the world who have international experience, digital skills, and, ideally, some professional and management experience. At the program's launch in 2018, the individual participants developed a customized program plan together with their respective mentors from top management and HR counselors. In addition to a number of qualification measures that do not take place on the job, the program encompasses at least four challenging practical projects that are high-profile and involve a lot of responsibility. The focus is on work assignments in the trainees' own areas of expertise, inter-departmental deep dives in units outside their areas of specialization, and missions at international Group locations. We also support the trainees' development by placing program participants in cross-company assignments and in projects close to our Board of Management.

### Managers

The programs offered by the Daimler Corporate Academy teach a wide variety of leadership skills, including self-management, managing others, managing organizations, agile working, and digital transformation. These courses are available to all management-level personnel worldwide within the Group. Newly promoted managers receive extensive support during the first 365 days after their promotion.

In 2019 around 150,000 people worldwide took part in the programs of the Daimler Corporate Academy in order to continue their personal and professional development.

### Doctoral candidates

Postgraduates in disciplines that are of strategic importance to us can pursue a doctoral degree at a renowned university with Daimler as the non-academic partner. The candidates are given a three-year fixed-term contract for this purpose.

### Internships

Daimler also operates a multi-location university study support program that aims to bind high-performing interns to our companies. These students are personally supervised and receive individual support. The program seeks to encourage the participants to directly join the company, to earn a doctoral degree, or to enter Daimler through the management trainee program "INspire – the Leaders' Lab."

### Commitment to school education

Our STEM educational initiative, "Genius," offers many activities that aim to get children and young people enthusiastic about

technology and technology-related topics (science, technology, engineering, and mathematics – STEM). Genius also helps teachers make their classes varied and future-oriented by offering them practice-related instructional materials, digital education materials, and advanced training courses.

## Lifelong professional training and qualification

GRI 103-2 GRI 404-1/-2

Daimler employees are expected to take part in training and qualification programs for their professional and personal development throughout their careers. Employees are supported by our managers as they proceed along their career paths. In 2019 important qualification measures focused on electric mobility (high voltage, battery assembly) and digitalization.

### Qualification of personnel for the digital transformation

Our Group's digital transformation is changing the requirements profiles of many jobs. We cover these requirements by recruiting digital talents and by creating a digital management culture and organization. Moreover, we support the company's digital transformation by offering qualification measures for the entire workforce. In 2019 the focus was on IT skills and professions as well as on digital learning formats such as DiT (Digital interactive Training).

### Specific qualification measures

In addition to interdisciplinary professional training measures, individual units and functions at the company also offer specific qualification programs for their employees:

#### Group Research and Mercedes-Benz Cars Development

The Research & Development (R&D) Technology Academy offers special qualification measures for our R&D specialists. The academy keeps the employees abreast of the latest developments in science and research and helps to develop their skills in order to make them fit for their future tasks.

#### Production

We also focus strongly on communicating the latest technological know-how in the qualification measures for managers and specialized employees in manufacturing. In 2019, for example, we qualified more than 45,000 employees throughout Germany, for example in new developments in electric mobility and robotics technologies.

### Sales and customer service

The in-house training course provider Global Training offers courses to the employees of the Mercedes-Benz Sales Organization in over 80 countries. More than 700 Mercedes-Benz trainers qualify around 203,000 participants each year. In total, the employees of the Mercedes-Benz Sales Organization take part in 1.8 million training courses per year.

### How we evaluate the effectiveness of our management approach

GRI 103-3

After each qualification course, we carry out standardized surveys of the participants. Moreover, we collect tracking data about the participants' behavior. We work together with the participants to evaluate individual concrete programs focusing on human resources and leadership development. In addition, we regularly conduct reflection and strategy talks with relevant stakeholders. We carefully analyze the data and the survey results in order to further develop our training courses.

Adjustment of measures in dialog: From the very start, we develop a large part of the Corporate Academy's offers in cooperation with our customers or other stakeholders.

Evaluation of management potential: We use agreed assessment processes to evaluate the leadership potential of our young managers. We also conduct appropriate analyses of employee potential as part of our team leader development program. This assessment is carried out according to a uniform standard at all locations of Daimler AG, Mercedes-Benz AG, Daimler Truck AG, and Daimler Mobility.

**Qualification\***

GRI 404-1

	2015	2016	2017	2018	<b>2019</b>
Training and continuing education costs (in € bn)	126	110	114	124	<b>129</b>
Investments in employee qualification (in € bn)	126	122	121	123	<b>114</b>
Qualification days per male employee per year	3.5	3.0	3.0	3.2	<b>2.7</b>
Qualification days per female employee per year	3.8	3.4	3.5	3.7	<b>3.1</b>
Qualification hours per employee per year	24.5	21.0	21.0	22	<b>18.9</b>

\* Daimler AG, Mercedes-Benz AG, Daimler Truck AG

## PEOPLE

# Safe and healthy work

Maintaining and promoting the health 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. That's because we want to prevent accidents and illnesses from happening in the first place.

## Taking on social responsibility

GRI 103-1

Enabling employees to work under safe and healthy conditions is part of our social responsibility as an employer and an expression of respect. In addition, maintaining our employees' capabilities and productivity is of crucial importance for our business success.

## How we ensure safe and healthy working conditions

GRI 103-2

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.

## Highest standards for everyone

GRI 403-1

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 November 2019 the Group companies updated the Occupational Health and Safety Policy. The revision seeks to ensure that the safety standards continue to be upheld in the Group's new structure. For example, the safety standards for equipment and processes should be uniform at all of our locations, as should our due diligence audits.

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 on the international level. The main reason why we joined this campaign is to send a clear signal to all of our employees and to show them that we take the prevention of serious accidents and job-related illnesses very seriously.

## Risk management: Systematic assessment and elimination of risks

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.

## Digital risk assessment tool OiRA

A key role in the evaluation of potential risks of workplaces is risk assessment. The introduction of the online tool OiRA (Online interactive Risk Assessment) in late 2018 has digitized parts of this risk management process. OiRA is provided by the European Agency for Safety and Health at Work and was expanded for our purposes. OiRA enables users to make risk assessments on desktop computers, tablets or smartphones. The tool shows the user specific risks associated with a 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.

To prepare for the launch of OiRA, we initially conducted pilot projects in which we created risk assessment templates. The focus was on the large production units that harbor a high level of risk potential: foundries, engine assembly areas, press shops, body shops, and assembly units. To be able to continuously adjust risk assessments to changes in regulations, these templates can now be centrally updated.

OiRA is now a part of our regular operations at all of our German locations and in Kecskemét (Hungary) as well as at smart in Hambach (France). The system is multilingual and will be supplied to other international locations in the future.

## Uniformly assessing risks

Irrespective of OiRA, we uniformly assess the risks of new facilities along the entire process – from the call for bids to the acceptance stage. This uniform assessment is based on the safety concepts that we expect to receive from suppliers in accordance with our [❶ product specifications](#). The planner is assisted by occupational safety specialists, from the initial idea to the standardized acceptance process. Hazardous substances are evaluated by specialists who know how to assess chemical risks. We also use suitable methods to assess the mental and ergonomic stress of workplaces.

## External companies

We also conduct risk assessments for our cooperation with external companies and derive appropriate measures from the results. We randomly check to see that these measures are complied with, depending on the scope of the cooperation and the risks. These risk assessments of external companies and the random checks will also be digitized in the future and depicted in OiRA. Furthermore, we supply external companies with an instructional video that teaches employees about work safety-related matters in an easily comprehensible way.

## Responsibility for safety and health at the workplace

Occupational health and safety issues are managed by the Health & Safety unit, which is part of Human Resources and under the direction of the Chief Group Physician 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.

Our managers are responsible for ensuring that all internal policies and legal requirements for occupational health and safety are complied with. When they take up a position, they have to confirm the transfer of these duties in writing. They are provided with assistance by the experts at Health & Safety. Each location must regulate the responsibilities and specific obligations in line with local conditions.

The Board of Management receives a Health & Safety report at regular intervals and is, among other things, given monthly updates about the frequency of accidents. A Group crisis unit, in which the Board of Management is also involved, steps in whenever extraordinary incidents such as serious accidents occur.

## Our targets

Our overarching objective is to prevent health risks and maintain Daimler employees' health and physical well-being over the long term. We have set ourselves additional verifiable individual objectives in order to accomplish this task.

Every organizational unit within the Daimler Group defines and pursues occupational safety objectives on a regular basis.

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

In addition, Health & Safety annually defines targeted upper limits for accidents at our various sites and units. This approach is supplemented by annual agreements on objectives with the respective body responsible for personnel. These agreements also include the implementation of measures related to occupational health and safety.

## #covid19 #coronavirus

We publish this report as people all around the world are fighting against the COVID-19 pandemic. Containment of the virus is a challenge of historic proportions – for the individual as much as for society, for governments as well as for corporations. It takes national and international solidarity and flexibility to overcome this crisis.

We at Daimler are determined to contribute our part and support to the best of our ability. We have taken numerous steps to protect our employees, slow down the spread of the pandemic, and fulfill our social responsibility. Constantly updated information can be found [here](#).

## How we are assuming responsibility for occupational health and safety

GRI 103-2

Sustainable health and occupational safety management is part of the social responsibility we bear toward our employees. We employ a preventive approach for maintaining workplace safety and the health of our employees. This approach is designed to help prevent work accidents, work-related illnesses, and occupational diseases to the greatest extent possible. In addition, we are continuously enhancing our concepts to ensure that workplaces are attractive, ergonomic, and safe.

## Health management: care, advice, support

GRI 403-3

Daimler AG, Mercedes-Benz AG, and Daimler Truck AG offer their 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.

At Daimler AG, Mercedes-Benz AG, and Daimler Truck AG, the health management system focuses on forward-looking

solutions that range from the job-related “Daimler Gesundheits-Check” and the ergonomic design of workstations to an IT system that makes it easier to permanently reintegrate employees suffering from limitations imposed by their health. We want our health management system to provide added value particularly for people suffering from mental health issues or diseases of the locomotor system.

#### Medical care for employees

At Daimler, occupational medicine includes various measures for the prevention of work-related illnesses and occupational diseases as well as health maintenance in the workplace. Moreover, we provide all employees with acute emergency healthcare that includes the diagnosis and treatment of acute illnesses and accident-related injuries. This lies within the area of responsibility of our plant physicians worldwide. All employees have free access to our plant medical services and to social counseling as well as to the basic services of our company health promotion programs. These basic company health promotion and emergency healthcare services are also available to our contract workers.

#### Company health promotion programs

GRI 403-6

We want to motivate employees to develop healthy lifestyles and reinforce their sense of personal responsibility regarding health issues. This objective is promoted worldwide with the help of campaigns, counseling, and qualification offerings, as well as with preventive, therapeutic, and rehabilitation measures. All of our plants in Germany have health centers on their premises or cooperate with health centers located near the plants. Through our healthcare centers, we offer our employees innovative concepts for the prevention and treatment of problems with their backs and joints, for example. Our cutting-edge fit@work program enables them to perform fascia training directly at their workstations in order to strengthen their tendons and ligaments.

#### Social counseling service

Our social counseling service offers all staff members coaching and advice in situations marked by conflict or crisis with regard to one's personal affairs or one's role in the company. The counseling focuses on strengthening the individual's personal resources. Within this context, we also offer unit-specific workshops as well as courses for managers that help them improve their psychosocial leadership skills.

#### Green light for ergonomic workstations

Daimler pursues a dedicated ergonomics strategy and has concluded a company-wide agreement with regard to ergonomics. In this agreement, we commit ourselves to addressing the issue of ergonomics even more systematically and sustainably than before and to giving our workstations an ergonomic design. The strategy encompasses the following principles and goals:

- No unhealthy workstations
- Maintenance of our employees' capabilities
- Appropriate assignments for all employees
- Lowering the sickness rate by reducing the frequency of musculoskeletal disorders
- Managers take on responsibility for keeping the employees healthy

In order to implement these requirements, 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
- Responsibility for ergonomics from the concept stage up to series production
- Continuous ergonomic improvements
- Qualification of employees and managers
- Introduction of the ergonomics strategy on international level
- Age-appropriate workstations that will remain viable in the future

#### IT system for ergonomics assessment

In 2018 we digitized the ergonomics assessment of our workstations. This IT system is used, among other things, to create workstation profiles so that disabled employees can work in line with their capabilities. The JobMatch tool helps us do this. In addition, the IT system helps us evaluate the ergonomic design of workstations. The result is shown as one of the traffic light colors. This helps us to determine a workstation's potential for a more ergonomic design and institute targeted 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.

#### #DigitalHealth

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 #Digital-Health initiative. During the reporting period, we evaluated and discussed a variety of external studies concerning the effects that digitalization has on employee health. On this basis, we have added digital health issues to our existing qualification measures. Examples include the programs “TopFit@Daimler – Healthy Leadership” and “Pit Stop – Health in an Age of Acceleration.” Furthermore, we have developed a new qualification measure as part of our personal counseling services: “Navigating in choppy waters – psychosocial leadership skills in the digital world of work.” Another result is the development of the “Health & Safety Cockpit”, which provides managers with a quick and easy overview of the relevant key figures from health management.

## Health and safety in production

There are many technical means for preventing accidents in production. Here are a few examples:

### Human-robot cooperation (HRC)

We use our modular HRC safety concept at all production facilities. This highly sophisticated concept ensures that the relationship between man and machine is safe in all situations. This concept serves as the basis of the EC declaration of conformity, which is a precondition for our facilities to obtain the CE label for safe machines. The concept can be flexibly used regardless of whether a robot takes on an assisting or service-supporting role or operates completely automatically.

### Industry 4.0 and exoskeletons

Another important issue involves the use of wearable computing systems and exoskeleton systems, which can help simplify work processes. Exoskeleton systems are worn on the upper body. They help employees carry out physically strenuous work such as lifting heavy objects. They can also benefit employees whose physical strength or capabilities are limited in their work.

## Various channels for raising employee awareness

GRI 403-5

We are increasingly using media such as videos, wikis, and web-based training courses in order to make employees more aware of ergonomics and occupational safety issues. Examples from 2019 include a new film for managers that addresses their occupational safety responsibilities and tasks.

In addition to providing initial instructions, we regularly hold additional briefings, which are always mandatory. We have also developed special online training courses for certain areas of work, including offices, production areas, and development units. In addition, OiRA, our digital risk assessment tool, generates workstation-specific instructions directly on the basis of its risk assessments.

## How we evaluate the effectiveness of our management approach

GRI 103-2 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.

## Auditing of production sites extended

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

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

## Accident documentation and accident statistics

GRI 403-9

Daimler AG, Mercedes-Benz AG, and Daimler Truck AG utilize a cross-site accident documentation system in conjunction with a standardized statistics system. This ensures that the database is correct by enabling users to access the locally stored hours of attendance, lost days, and organizational structures. This accident documentation can be used as the basis for various findings such as the causes of accidents, the areas where accidents tend to occur, the pertinent tasks, and the equipment that causes accidents. These findings show that the accidents that occurred in 2019 were due to human behavior in 74 percent of the cases, while 17 percent were caused by technical defects and nine percent by organizational shortcomings. Mandatory analyses are made after every accident in order to determine the sequence of events. The affected units are also required to initiate preventive measures.

## Transparent reporting paths

An effective reporting procedure helps us achieve our occupational health and safety targets. That's why 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. Every three months, the Human Resources & Labor Relations Director also receives a report containing the accident statistics of the business units.

**Accident frequency\***

GRI 403-9

	2015	2016	2017	2018	<b>2019</b>
Occupational accidents	3,284	3,444	2,766	3,152	<b>2,957</b>
Accident frequency (number of occupational accidents with at least one day of absence per million attendance hours)	8.8	9.4	7.5	7.7	<b>6.8</b>

\* Recording rate for Daimler production sites (Mercedes-Benz AG incl. Vans, Daimler Truck AG incl. Buses) worldwide: >99%

**Participants in health training\***

GRI 403-6

	2015	2016	2017	2018	<b>2019</b>
Shift workers	438	556	500	544	<b>460</b>
Managers	361	433	465	487	<b>311</b>

\* Daimler AG, Mercedes-Benz AG, Daimler Truck AG

**Participants in health trainingPLUS\***

GRI 403-6

	2015	2016	2017	2018	<b>2019</b>
Shift workers	228	219	184	206	<b>252</b>
Managers	115	123	245	242	<b>304</b>

\* Daimler AG, Mercedes-Benz AG, Daimler Truck AG

## PARTNERSHIPS

## Establishing dialog and exchange

As a company with global operations, we have to deal with a wide range of political and societal changes and decisions that have a major impact on our business activities. It is therefore important for Daimler that we represent the interests of our company in an open and trusting dialog and that we develop joint solutions.

### Engaging in a dialog with policy-makers and society

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 conduct discussions with such individuals at various levels, listen to what they have to say, communicate our interests and concerns to them, and assume social responsibility. Our dialog with representatives of NGOs and various social movements is also one of our tasks, and it is becoming increasingly important.

Our strategy for representing our political interests is always aligned with our corporate strategy, hence the transformation of the automotive industry plays a particularly important role. We have developed several new event and dialog formats for this purpose. We use these formats to systematically approach decision-makers and other societal stakeholders in order to discuss not only core topics in the automotive industry but also the issues that will shape its future. We are open to constructive dialog with all relevant stakeholders, and we take other points of view into account in our activities.

In return, our employees contribute their knowledge and commitment to these discussions. For example, we participate in the strategic dialog for the automotive industry in Baden-Württemberg, as well as in the German government's National Platform on the Future of Mobility and many other forums. In these discussions, we work together with government officials, politically and socially committed groups, opinion leaders, and experts in order to promote the transformation of the automotive industry.

### How we conduct our work responsibly

GRI 103-2

Daimler has defined principles for our participation in political dialog and the representation of our interests. In these activities, we maintain political reluctance and balance. The core principle is to maintain neutrality when dealing with political parties and representatives of interest groups.

We seek to ensure that the representation of our interests at the political level is carried out in accordance with applicable regulations and ethical standards. In our work as members of sector associations and in our cooperation with other companies, we pay particular attention to antitrust regulations.

The principles that are binding within our Group are, among other things, laid down in a worldwide policy and in the Group's Integrity Code.

The policy, "Lobbying and Political Donations/Donations to Political Parties," governs how donations to political decision-makers and political parties are handled, as well as the use of other instruments for representing our interests in the political realm. Our employees can find both of these policies in the policy database on the intranet.

Daimler is also listed in the transparency register of the European Union, and it complies with the register's Code of Conduct.

The policies mentioned above also regulate how we address risks that may arise in connection with the political representation of our interests. These risks are also addressed through firmly established Group-wide compliance processes. Complaints and notifications related to our lobbying activities can be addressed through our whistleblower system BPO. In accordance with the legal requirements and our in-house policies, we regularly conduct training courses for those employees at Group companies of the Daimler Group and Daimler AG who represent our interests and who are not organizationally under the direction of the External Affairs unit.

↗ [Transparency register of the European Union](#)

↙ [The whistleblower system BPO](#)

### Central coordination of the representation of our interests

GRI 103-2

Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy unit, which is located in Stuttgart and falls under the responsibility of the Chairman of the Board of Management. This unit operates a global network with offices in Berlin, Brussels, Beijing, Singapore, Madrid, and Washington and also has corporate

representations in our markets. Our objective is to represent our interests politically by addressing political and societal target groups using content that has been coordinated across the Group.

The head of the unit is also a permanent member of the Group Sustainability Board and as such is actively involved in many sustainability-related issues. 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 the Group's interests.

For this purpose, External Affairs also regularly holds Governmental Affairs Committee meetings. These are attended by the Head of External Affairs, other representatives from the unit, Board of Management members, and other top managers, at which they discuss positions and processes that are important for the Group.

In accordance with our policy, employees at Group companies of the Daimler Group and Daimler AG who represent our interests must register with External Affairs if they are not organizationally under its direction. External Affairs also trains these employees for this purpose. We use the standardized Daimler human resources processes to select the employees of External Affairs. These individuals are remunerated at the same rate as employees at the same levels of the hierarchy within the Group.

External Affairs ensures the continuous sharing of information in various formats. The employees of External Affairs, as well as the colleagues who represent Daimler's political interests as part of their activities abroad, are invited to the relevant informational events.

### **What we want to achieve**

The overarching goal of our representation of our interests is to harmonize the company's interests with those of society at large to the greatest possible extent. More specifically, in our discussions with political decision-makers, we aim to achieve greater planning security for Daimler and to contribute our ideas to social change processes.

### **Climate protection and air quality**

For Daimler, the Paris Agreement on climate protection is more than a commitment – it is a conviction.

We support the idea of political conditions that are open to a variety of technologies rather than the one-sided promotion of a single technology.

In the short term, we support battery-electric drive systems in vehicles and in use cases that are suitable for this purpose. A comprehensive charging infrastructure, such as fast-charging stations along highways, that uses standardized technologies and a customer-friendly payment system is a key precondition for the further expansion of electric mobility.

CO<sub>2</sub> reduction leading to CO<sub>2</sub> neutrality can only be successful if the associated energy generation and energy sources are CO<sub>2</sub>-free. In addition, every type of drive system must make a contribution to decarbonization. We therefore assume that in order to reach the climate protection goals, e-fuels will play an important role in the medium to long term.

In this regard, fuel cell vehicles could be a climate-friendly alternative, especially for applications that require large amounts of energy. Examples include heavy-duty vehicles that are used over long distances, such as long-haul trucks.

Moreover, the taxation and incentive systems for alternative drive systems should be as homogenous as possible among the various EU member states.

Future emissions regulations for the further improvement of air quality should be based on air quality problems that can actually be expected or that currently exist, and they should be harmonized worldwide as far as possible. Future measurement methods have to be fully technologically developed and robust. The industry needs sufficient lead time to implement the associated regulations.

### **Livable cities**

In order to offer residents clean, safe, generally accessible, and affordable mobility and thus improve the quality of life in cities, the intelligent use and interconnection of all modes of transportation is essential. Moreover, the various modes of transportation must be utilized in context and in accordance with their respective strengths.

### **Vehicle 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 create the conditions necessary for achieving further improvements in traffic safety.

### **Human rights**

Respect for human rights is a key component of our sustainable business strategy as well as a perpetual obligation of our Group. We want to counteract risks to human rights, and we strive to achieve mobility without human rights violations.

In order to implement our sustainability requirements along the supply chain, we advocate the creation of uniformly accepted international standards. However, it is important to ensure that the associated regulations are appropriate and achievable by companies. The scope of companies' responsibility for human rights due diligence must be clearly defined. Due Diligence obligations should be limited to the actual scope of economic influence and juridical authority along the supply and value chains.

## Sustainable financing

Daimler supports the goal of sustainable financing in order to promote investments in sustainable growth. A correctly designed taxonomy offers the potential to create more clarity in the markets and guide investments toward sustainable activities.

## Location-specific issues

We are in close contact with political and social stakeholders in the vicinity of our sites. Our top priority is to harmonize the interests of our sites and the concerns of the local stakeholders.

## Trade policy

As a globally operating company, Daimler promotes free and fair trade. Free trade and investments are key factors for innovation, employment, growth, and prosperity.

## Labor legislation

In order to comply with the requirements of digitalization and the transformation of the automotive industry, we advocate the modernization of labor laws.

We believe that a key role is played by the rights embodied in the Universal Declaration of Human Rights and the Core Labour Standards of the International Labour Organization (ILO).

## Measures for ensuring transparent representation of our interests

GRI 103-2

Daimler wishes to take part in political and public opinion-shaping processes as a trustworthy and dependable discussion partner. We therefore communicate in a reliable and fact-based manner with governments, associations, organizations, and social interest groups, and we incorporate their suggestions into our actions. In the process, we take into account society's interest in transparency and openness.

## Political dialog and representation of interests

As part of their collaboration with political decision-makers, Daimler employees serve as members of various public and political advisory boards, such as the Expert Group on European political issues in the Baden-Württemberg Ministry of Justice and European Affairs. In 2019 we also held a variety of dialog events. In line with our strategy regarding the political representation of our interests, we are focusing on the transformation of the automotive industry. In February and November, the Board of Management members Renata Jungo Brüngger (Integrity and Legal Affairs) and Wilfried Porth (Human Resources and Director of Labor Relations) took part in a political dialog with selected high-ranking stakeholders from the Stuttgart area.

During the reporting year, we also invited our stakeholders to come to various dialog-oriented events outside Germany. For example, we organized the permanent exhibition "Mercedes-Benz meets Jawor" to commemorate the opening of the new engine

plant in Jawor, which is also the first production facility of Mercedes-Benz Cars in Poland. The exhibition informs the local population about the new plant as well as our company and its history. Around 6,000 people have visited the exhibition since it opened.

## Making dialog sustainable

## Donations to political parties and other political contributions

GRI 415-1

The entire Board of Management of Daimler AG has to approve in advance all donations to political parties (regardless of the amount) as well as all donations of €50,000 or more (including taxes) to other organizations. External Affairs has to submit its opinion before any decision can be made. In 2019, the Board of Management of Daimler AG decided not to make any donations to political parties in 2019. This decision was made independently of current political and economic events.

## Memberships in associations and initiatives

In addition to direct dialog with political decision-makers, we are represented indirectly via major industrial associations, such as the German Association of the Automotive Industry (VDA). In these ways we participate in many political debates that are relevant to the Group, such as the discussion of air quality in German cities and the promotion of sustainable mobility. With our know-how and our technology we actively contribute to finding solutions. We also maintain regular contact with representatives of civic organizations and other companies, and we participate in further associations, committees, and sustainability initiatives in addition to the dialogs that we have initiated ourselves.

## Overview of our most important memberships (PDF)

## How we assess the effectiveness of our management approach

GRI 103-3

The External Affairs 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, External Affairs also regularly submits reports to the Supervisory Board of Daimler AG.

## CORPORATE CITIZENSHIP

# Worldwide commitment

As a globally operating automotive company, we are active in socially diverse settings. Our corporate citizenship helps us to make tangible contributions to the common good at our locations all over the world. Together with our employees and partners, we want to improve society step by step.

## Good reasons for corporate citizenship

GRI 103-1

As one of the world's leading vehicle manufacturers, Daimler and its numerous brands are well known around the globe. Our company stands for business success, advanced solutions, and social responsibility. This combination is important for us because we can only remain successful in the future if we operate in a prospering environment where people can realize their ideas of a good life. A high level of education among the population, as well as a high degree of economic and social stability, are crucial for ensuring a society worth living in – and ultimately the success of our work as well. As a company, we can only grow and create value in places where these factors are guaranteed. This is why we work to achieve sustainable social development in our markets and in the communities in which we operate. We also encourage our employees to support our efforts. This is important, because social commitment expands individual horizons and also strengthens our own corporate culture.

All of these activities are part of our Corporate Citizenship commitment, which supports our company's sustainable business strategy. To this end, we promote freedom, education, equal opportunity, and peaceful coexistence all over the world and in this way help to make society sustainable and fit for the future.

## How we are assuming social responsibility

GRI 103-2

A large part of our corporate citizenship consists of donations to nonprofit institutions and the sponsoring of socially beneficial projects. The donations and sponsorship committee of the Board of Management manages all of our donations and sponsorship activities around the world. The Daimler and Benz Foundation, the Laureus 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 guidelines. These guidelines were updated in July 2019 for alignment with our new Group structure. It stipulates that all of the Daimler Group's donations, sponsorships, and marketing partnerships must 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, must be complied with as well. In addition, we are guided by the UN Global Compact Principles.

We create transparency by recording all of the Group's donations and sponsorships in a centralized database. Moreover, we regularly inform our employees about the valid policies and alert them to possible risks connected with donations and sponsorships.

## How we shape our commitment

GRI 203-1

Throughout our Group, our corporate citizenship is directed towards an overarching goal: We want to make tangible and sustainable contributions to the common good, together with our employees, at our locations all over the world. "With our employees," "For our locations," "All over the world" – these three pillars form the foundation of our corporate citizenship.

In accordance with our sustainable business strategy, our corporate citizenship primarily promotes projects and activities related to our core business, because this is where we can jointly make the biggest value contribution.

### Sustainability strategically integrated

For example, we seek to promote traffic safety and respect for human rights, as well as diversity and cultural interaction. We encourage our employees to become involved in socially beneficial projects, we help improve the social environment in the communities where we operate, and we initiate aid projects worldwide. We also seek to strengthen communities, promote education, science, the arts, and culture, and contribute to nature conservation.

### With our employees

The "ProCent" initiative is an example of our employees' commitment to society. It enables our employees to 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. As a result, a total of €8.45 million has been released since the launch of the initiative in December 2011. On a central platform, employees can suggest projects that should receive support from this fund. One of the many organizations that have received donations in this way is the "Verein der Palliativ-Care-Teams im Kreis Böblingen e. V.". This

organization's six palliative care doctors, five nurses, a coordinator, a social worker, a minister, and a psychologist assist severely ill children under the age of 18. This team operates in a radius of 120 kilometers around the city of Stuttgart. The initiative also supports four other teams in the wider area. Together, these teams care for around 250 children. The donation from "ProCent" enabled the organization to purchase notebooks and special software for effective communication and the management of the patient files.

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 "Social Days", teams from the Daimler subsidiary Deutsche Accumotive GmbH & Co KG, for example, refurbished the outdoor areas and interior rooms at two of the locations of the Christliches Jugenddorfwerk Deutschlands in Kirchheim/Teck. The "Im Doschler" facility is home to around 100 young people who take part in professional training measures while also receiving coaching in social topics. The "Hohenreisach" facility operates a vocational school for young adults who have not yet found a job or a place in a training program.

In the course of the reporting year, around 2,600 employees participated in 78 projects during the "Social Days". On our Social Intranet, we have also encouraged our employees to support other projects, such as the following:

In 2019, we once again organized the "Give a Smile" campaign, in which employees donate and wrap Christmas presents for children from socially disadvantaged families. Employees at 40 locations of Daimler AG and the Daimler Group took part in this campaign worldwide, putting together more than 22,000 gift packages in the process.

Daimler is the official mobility partner of the NABU crane center in Mecklenburg-Western Pomerania. Moreover, the company supports national and international projects for the protection of these impressive migratory birds. During the reporting year, employees were able to work for one or two weeks as volunteer crane rangers at the "Kranorama" observation station on the Baltic Sea. A total of eleven employees took advantage of this opportunity.

### 12.1 ProCent funding focus until 2019



**8.45**

million euros have been invested in aid projects since December 2011

**1,410**

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

**58%** Support for children and teenagers

**27%** Charitable projects

**10%** Disabled assistance

**5%** Animal welfare and nature conservation

Donations to each individual project are between €250 and €57,000

## For our locations

GRI 413-1

We conduct a wide variety of projects that support social development at our locations:

### Stuttgart Campus

At our training campus in Stuttgart, we have been working together with the Bürgerstiftung Stuttgart and other companies since 2016 to enable young refugees to enter the world of work. We help these young people gain vocational training by organizing mentoring programs, procuring internships, and providing information and advice. Whereas the focus in 2019 was still on helping the refugees find a training program and preparing them for such training, over the next three years we want to increasingly concentrate on giving them support during their training. In this way, our training campus will turn even more into a center of learning, where the participants will be able to get extra tutoring, for example. In November 2019, Chancellor Merkel presented the Stuttgart Campus with an integration award after it had been selected as one of the ten best integration projects in Germany.

### Genius knowledge community

More curiosity – more future. This has been the motto of the “Genius – Daimler’s young knowledge community” STEM education initiative for almost ten years. “Genius” aims to get children and teenagers enthusiastic about technology at an early age. It also provides teachers with practical, state-of-the-art instruction materials and organizes further education measures for teachers in Germany. These courses address topics related to the future of mobility. Employees serve as Genius ambassadors in these courses and in technology workshops at Daimler locations.

### Around the world

We initiate aid projects worldwide that help people determine the course of their lives independently, on their own responsibility, and without material deprivation, thereby creating a better future for the generations to come. One example of this is a project that we run in cooperation with the “Bon Pasteur” aid organization in Congo. In the Kolwezi mining region, we organize targeted education measures to give women and children employment as an alternative to working in cobalt mines. The goal is to improve living conditions for more than 19,000 people in the region by 2022. The project provides children, girls, and women with access to education, healthcare, and professional training.

We promote greater safety for children in road traffic through our international “MobileKids” initiative. This project is targeted not only 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. In 2019, for example, we held train-the-trainer workshops at our locations in Wörth and Sindelfingen, in which we qualified 43 employees to

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### 12.2 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

become “MobileKids” ambassadors. These employees learn how to playfully teach elementary school students about traffic. As a result, they can now impart this knowledge at the schools their children attend. Additional activities were held in 2019, including the painting of pedestrian crossings in Mexico and the renewal of traffic signs in India.

### Funding through foundations

Our foundations support projects around the world related to science, research, technology, education, and sports.

#### Laureus Sport for Good

The [Laureus Sport for Good Foundation](#) uses the appeal of sports to bring people together. It primarily enables socially disadvantaged children and teenagers to discover their hidden potential through sports and thus improve their opportunities for a better future. There are now around 200 Laureus projects under way in more than 40 countries. One example is the “Moving the Goalposts” project for women’s rights in Kenya. Although a new middle class of well-educated young people is growing up in big cities like Nairobi, traditional structures and stark poverty are still the order of the day in rural areas. The contrast between rich and poor is especially pronounced in the Kilifi region. Women possess almost no rights here and many families reserve education for their sons. “Moving the Goalposts” overcomes these traditions and provides girls with soccer training so that they can enter a typically male-dominated sphere. The girls also learn how to become organized and how they can assert themselves.

### Daimler and Benz Foundation

The purpose of the [Daimler and Benz Foundation](#) is to clarify the interrelationships between human beings, the environment, and technology. To this end, it promotes 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 awarded 12 new scholarships in 2019. Using a variety of support measures, the foundation investigates research topics that are relevant to the future. It also stages several lecture series in order to make science more visible and accepted in the public eye.

### Daimler Foundation

In addition to its involvement in the Donors' Association for the Promotion of Sciences and Humanities, the [Daimler Foundation](#) focuses on structural problems in research and teaching, as well as on engineering sciences and international and scientific cooperation. Since 1993, it has helped to establish 27 endowed professorships and assistant professorships in Germany and abroad.

### How we evaluate the effectiveness of our management approach

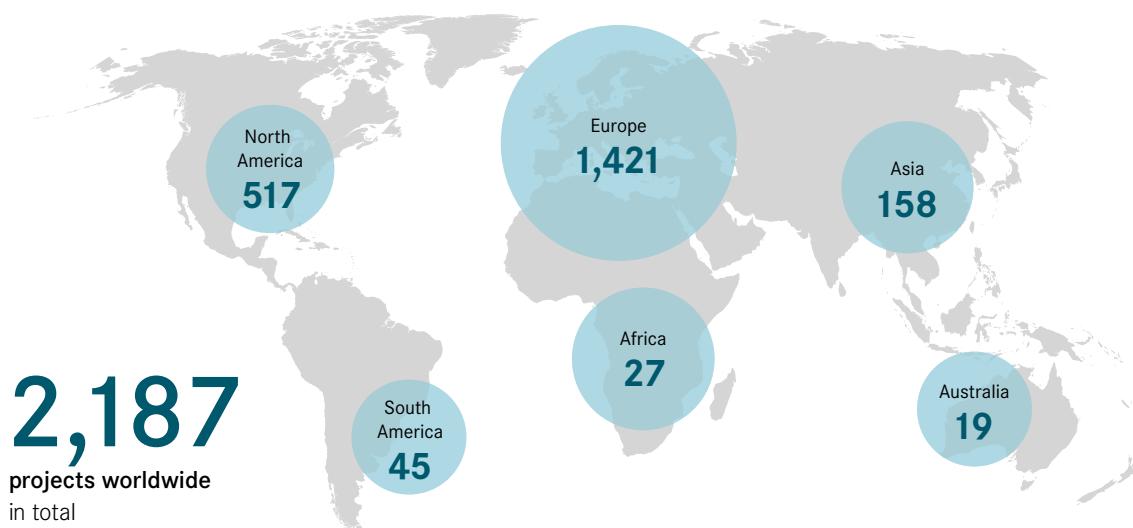
GRI 103-3

In 2019 we spent around €60 million on donations to nonprofit 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 was distributed as follows among the various areas:

- Social issues and community: 77 percent
- Art and culture: 4 percent
- Education: 13 percent
- Science/technology/environment: 5 percent
- Political dialog: 1 percent

We use a variety of methods to monitor the effectiveness of our corporate citizenship. Among other things, we actively supervise projects and engage in dialog with partners and affected parties. The results are reflected in the above distribution of our donations and sponsorships, which takes into account the various focal points of support from our locations.

### 12.3 Commitment with impact – our projects around the world



# APPENDIX

# About this report

GRI 102-45/-50

In this Sustainability Report we assess the main effects of our business operations in 2019 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 Content 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 as of January 1, 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 now 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 many years, was renamed Daimler Mobility AG in July 2019. With its new structure, 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.

We have used the previous structure of five divisions in our report on financial year 2019, analogously to the reports for the first three quarters of the year. The new reporting structure with three divisions will be used as of the first quarter of 2020.

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 our new sustainable business strategy. It is divided into three conceptual levels: “Change”, “Strategy”, and “Reporting”. These levels differ from one another in terms of their focus and degree of detail. The level “Change” contains a general description of the social transformations that are important for the Daimler Group. “Strategy” explains the strategic approach and the most important progress made in the individual areas of action.

“Reporting” 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 and 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. In this section, we also describe our fundamental approach to supply chain management. Specific supply chain information is contained in sub-chapters of the relevant areas of action. These include [Climate protection and air quality](#), [Resource conservation](#), and [Human rights](#). 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.

↗ [Sustainability strategically integrated](#)

## Reviewed according to ISAE 3000

GRI 102-56

We engaged KPMG Wirtschaftsprüfungsgesellschaft AG to examine the Group's sustainability reporting. 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<sub>2</sub> emissions from energy consumption, water supply, and waste by type of waste for the reporting year 2019

 [Key figures environment](#)

- Key figures on CO<sub>2</sub> emissions (Scope 1, Scope 2 and Scope 3)

 [Scope 1, 2, and 3 emissions](#)

 [Appendix: How we calculate and document our CO<sub>2</sub> emissions](#)

- Content on Corporate Citizenship

 [Worldwide commitment](#)

In addition, the Non-financial report, which was published in the Annual Report 2019, was reviewed by KPMG Wirtschaftsprüfungsgesellschaft AG in a limited assurance engagement.

 [Non-financial report](#)

After the review we received a management report that presents 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.

 [Management report](#)

## Non-financial report

Pursuant to Sections 315b and 315c of the German Commercial Code (HGB), we report on non-financial matters in our Annual Report, which was reviewed in the annual financial statement by KPMG Wirtschaftsprüfungsgesellschaft AG.

 [Non-financial report/Annual Report](#)

## 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 of 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 2019, we submitted the Sustainability Report 2018 together with the document titled "Realizing the Blueprint: Corporate Action Plan" as our official UN Global Compact Communication on Progress. We will present the next Communication on Progress in July 2020.

 [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 2019 is based on data from the Daimler Annual Report 2019. The Daimler Annual Report 2019 with Combined Management Report and Notes to the Consolidated Financial Statements was audited by KPMG Wirtschaftsprüfungsgesellschaft AG and given an unqualified opinion.

 [Further information can be found in the Annual Report 2019](#)

### Employee data

The facts and figures in the Employees section correspond to the facts and figures in the Daimler Annual Report 2019. 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 2019. 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 2019 refers to a total of 69 production sites and satellite sites as well as 26 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 business area 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.

## 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 this Sustainability 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.

The content of the report was checked by the responsible specialist staff. Parts of the report were also examined by KPMG.

## Editorial note

GRI 102-51/-52

Our last Sustainability Report was published in April 2019 under the title "Sustainability Report 2018". The current Sustainability Report is published in April 2020 under the title "SpurWechsel – We Are Changing Lanes: Sustainability Report 2019". Our next report is scheduled for March/April 2021.

## Reporting principles

GRI 102-46

We accept our responsibility for the content of the Sustainability Report 2019. To the best of our knowledge, we have compiled the information in the Sustainability Report 2019 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.

In 2019, we approved our sustainable business strategy, which was developed in a comprehensive process that involved relevant internal and external stakeholders. In addition to incorporating stakeholder requirements, the strategy takes international frameworks and global trends into account. The strategy's material topics were evaluated internally and externally as being especially relevant with regard to their economic, environmental, and social impact, and are therefore included in this report. 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 2019.

## Contact for the report

GRI 102-53

Mirjam Bendak

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 [Imprint](#)

# How we calculate and document our CO<sub>2</sub> emissions

Daimler calculates and documents its CO<sub>2</sub> emissions in accordance with the 2004 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative (Scopes 1 to 3).

Documented are all direct CO<sub>2</sub> 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, liquid gas, and coal with fixed CO<sub>2</sub> 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 by means of location-related queries.

Because we primarily consume fuels for non-production purposes (including company vehicles, test stands), we do not consider the fuels for our production-related goals (energy, CO<sub>2</sub>). For this reason, the specific energy consumption and CO<sub>2</sub> 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. If more detailed data is not available, we use the annually updated factors of the International Energy Agency (IEA). In the United States we use the electricity generation factors published by the Environmental Protection Agency (EPA). Since 2016, accounts of CO<sub>2</sub> emissions have been balanced using the separate accounting approaches "market-based" and "location-based" emissions. 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<sub>2</sub> 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 IEA for the country in question or according to the EPA for the United States. For the sake of comparison, we also publish the CO<sub>2</sub> 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<sub>2</sub> 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 10 years. Additional indirect CO<sub>2</sub> 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.

## Scope 1, 2, and 3 emissions

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 in the parts per thousand range.

## KPMG AUDITOR'S REPORT

# Limited Assurance Report of the Independent Auditor regarding selected sustainability disclosures

To the Board of Management of Daimler AG, Stuttgart

We have performed an independent limited assurance engagement on the indicators energy consumption, CO<sub>2</sub> emissions, water consumption and waste as well as the information on corporate citizenship published in the Sustainability Report (further "Report") of Daimler AG, Stuttgart (further "Daimler") for the year from January 1 to December 31, 2019.

The selected sustainability disclosures in the scope of our assurance engagement are listed in the Report Profile on page 192 of the Report (pdf).

## Management's Responsibility

The Board of Management of Daimler is responsible for the preparation of the Report in accordance with the reporting criteria. Daimler applies the principles and standard disclosures of the GRI Standards of the Global Reporting Initiative, the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative, in combination with internal guidelines (further: Reporting Criteria).

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

## Independence and quality assurance on the part of the auditing firm

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

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

## Practitioner's Responsibility

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

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This standard requires that we comply with our professional duties and plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the information above for the period from January 1 to December 31, 2019 is not in accordance, in material respects, with the aforementioned Reporting Criteria. We do not, however, issue a separate conclusion for each sustainability disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

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

- A risk assessment, including a media research, of relevant information about the sustainability performance of Daimler in the reporting period.
- Assessment of the design and implementation of the systems and processes for the collection, processing and control of the sustainability disclosures included in the scope of this engagement, including the consolidation of the data.
- Inquiries of personnel on group level responsible for providing the data, carrying out internal control procedures and consolidating the data on the quantitative indicators.
- Analytical evaluation of data and trends of quantitative information which are reported by all sites on group level.
- Evaluation of selected internal and external documents.
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey in Bremen, Wörth (both Germany) and Tuscaloosa (USA).
- Assessment of the overall presentation of the selected sustainability disclosures.

## Conclusion

Based on the procedures performed and the evidence received to obtain assurance, nothing has come to our attention that causes us to believe that selected sustainability disclosures for the business year from January 1 to December 31, 2019 published in the Report are, in all material respects, not prepared in accordance with the Reporting Criteria.

## Limited liability

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

Our assignment for the Board of Management of Daimler AG, Stuttgart, and professional liability is 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](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Stuttgart, April 22, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

**Dr. Thümler**

Wirtschaftsprüfer

[German Public Auditor]

**Mokler**

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
<b>Principle 1</b> Support of human rights	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 department 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.	<b>Recognizing risks, taking targeted action</b> > How we respect and uphold human rights
<b>Principle 2</b> Exclusion of human rights abuses		
<b>Principle 3</b> Freedom of association		
<b>Principle 4</b> Elimination of all forms of forced labor		
<b>Principle 5</b> Abolition of child labor		
<b>Principle 6</b> 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 on all levels. 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.	<b>Promoting diversity and equal opportunity</b> > How we shape diversity within the company
<b>Principle 7</b> 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 <sub>2</sub> -neutral at all of our European locations beginning in 2022.	<b>Reducing the emissions of our vehicles</b> > Climate protection: Targets and measures for more climate-friendly vehicles  <b>On the road to CO<sub>2</sub>-neutral production</b> > How we make our production more environmentally and climate-friendly  <b>Environmentally friendly and resource-conserving production</b> > How we are reducing resource consumption in production  <b>Climate protection in the supply chain</b> > Targets and measures for a more climate-friendly supply chain  <b>Sustainability strategically integrated</b> > Sustainable supply chain management
<b>Principle 8</b> Initiatives for promoting environmental responsibility	Daimler systematically compiles key environmental data from its plants in Germany and abroad. The data in this report reflects the structure of the Group in the reporting year 2019 and includes all the relevant production plants of which the Daimler Group is a majority shareholder as well as the German and other European sales locations, which encompass logistics, service, and sales. It does not include the locations of Daimler Financial Services. The environmental data for 2019 refer to a total of 69 production locations and subordinate sites as well as 26 research and development, service, and sales locations. We accept responsibility for making our vehicles climate-friendly and environmentally compatible throughout their entire 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.	<b>Reducing the emissions of our vehicles</b> > Climate protection: Targets and measures for more climate-friendly vehicles  <b>On the road to CO<sub>2</sub>-neutral production</b> > How we make our production more environmentally and climate-friendly  <b>Environmentally friendly and resource-conserving production</b> > How we are reducing resource consumption in production  <b>Resource-efficient vehicles</b> > Measures for reducing resource consumption

Principles	UN Global Compact Principles	Chapter
<b>Principle 9</b>	<p>Development and diffusion of environmentally friendly technologies</p> <p>The requirements regarding our vehicles' environmental compatibility are integral aspects of automobile development at Daimler and are discussed by the corresponding committees and implemented accordingly. The vehicle specifications and the quality gates in the development process document the environmental impact and requirements during the entire product development process. Our vehicles are developed with the aim to maximize fuel economy, and to set the standard for low pollutant emissions in the automotive industry. In order to further reduce the emissions of our vehicles, we are electrifying our entire product portfolio and expanding our range of plug-in hybrids and all-electric vehicles. In our "Ambition 2039" we have set ourselves the target of making our fleet of new passenger cars CO<sub>2</sub>-neutral over the vehicles' entire life cycle by 2039. Our target for new trucks and buses is to become CO<sub>2</sub>-neutral with regard to driving operation (tank-to-wheel) in the triad markets of Europe, Japan, and NAFTA between now and 2039.</p>	<p><a href="#">Reducing the emissions of our vehicles &gt; Climate protection: Targets and measures for more climate-friendly vehicles</a></p> <p><a href="#">Resource-efficient vehicles &gt; Measures for reducing resource consumption</a></p>
<b>Principle 10</b>	<p>Measures against corruption</p> <p>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.</p> <p>One of the main objectives of our compliance activities is to ensure that all applicable anti-corruption 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.</p> <p>Our anti-corruption compliance program is based on our comprehensive Compliance Management System. The program is globally valid and primarily consists of an integrated risk assessment process that takes into account internal information such as a unit's business model and external information such as the Corruption Perceptions Index from Transparency International. The results of our risk assessments form the basis of risk-based measures for avoiding corruption in all business activities (e.g. reviews of business partners and transactions), and measures to ensure that special care is taken in contacts with authorities and public officials. Our risk-minimization measures focus in particular on sales companies in high-risk countries and business relationships with wholesalers and general agencies worldwide.</p>	<p><a href="#">Compliance management: Complying with laws and regulations &gt; Main topics for compliance management</a></p>

# Labeling

## Consumption and CO<sub>2</sub> emissions

Model	Designation	Fuel consumption combined l/100 km	Power consumption combined kWh/100 km	CO <sub>2</sub> emissions combined g/km	Hydrogen consumption combined kg/100 km
EQC 400 4MATIC <sup>2,3</sup>	EQ		21.3–20.2	0	
EQV 300 <sup>2,3</sup>	EQ		26.4–26.3	0	
eVito panel van <sup>2,3</sup>	E		24.9–20.5	0	
eVito Tourer <sup>2,3</sup>	E		26.2	0	
A 250 e compact sedan <sup>1</sup>	Plug-in hybrid	1.5–1.4	15.0–14.8	34–33	
A 250 e sedan <sup>1</sup>	Plug-in hybrid	1.4	14.8–14.7	33–32	
B 250 e <sup>1</sup>	Plug-in hybrid	1.6–1.4	15.4–14.7	36–32	
GLE 350 de 4MATIC <sup>1</sup>	Plug-in hybrid	1.3–1.1	28.7–25.4	34–29	
GLC F-Cell <sup>2,3</sup>	Plug-in hybrid		18	0	0.91
C 300 d wagon <sup>1</sup>	Diesel	5.3–4.8		139–127	
C 220 d wagon <sup>1</sup>	Diesel	4.7–4.4		126–117	
smart EQ fortwo <sup>2,3</sup>	EQ		15.7–13.9	0	
smart EQ forfour <sup>2,3</sup>	EQ		16.4–14.5	0	

## Information on labeling

The values are determined on the basis of the measured CO<sub>2</sub> emissions, taking into account the mass of the vehicle. The values quoted for fuel consumption and CO<sub>2</sub> 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<sub>2</sub> emissions can be found in the EU guide “Information on the fuel consumption, CO<sub>2</sub> emissions and electric power consumption of new cars”, which is available free of charge at all sales dealerships and from Deutsche Automobil Treuhand GmbH at [www.datgroup.com](http://www.datgroup.com).

- 1 The stated figures are the measured “NEDC CO<sub>2</sub> 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 The electricity consumption was determined on the basis of Commission Regulation (EC) No. 692/2008. The electricity consumption is dependent on the vehicle configuration, especially the maximum speed limitation that has been selected.
- 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 deviate from the average range listed above.

# Glossary

## 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.

## Audit

In an audit, external (or internal) experts examine whether certain laws, regulations, and policies were adhered to.

## Auxiliary consumer

Auxiliary consumers include all of a vehicle's components that are not needed for the drive system, but that nevertheless consume energy. Examples include the air conditioning and heating systems.

## Biocide

Biocides are chemicals used to control pests.

## Capacity building

Capacity building refers to measures that boost people's or organizations' problem-solving abilities in developing countries and emerging markets. Examples include training courses for suppliers.

## CDP

CDP (formerly Carbon Disclosure Project) is an independent non-profit organization that promotes the disclosure of environmental data by companies and municipalities. Its members include several hundred major investors. Since its establishment in 2000, the CDP has created the biggest database of its kind in the world.

## CER units

Certified Emission Reduction (CER) units are awarded by the United Nations to projects that help reduce CO<sub>2</sub> in developing countries. Companies can purchase these units to offset their CO<sub>2</sub> emissions.

## CO<sub>2</sub> fleet value

The CO<sub>2</sub> fleet value refers to the average emissions from the new vehicles that are registered in a given year for a particular manufacturer. This value can be given for specific model series, product units, brands, business units or regions. An example of this is the new car fleet value for Europe, which is indicated in g CO<sub>2</sub>/km.

## CO<sub>2</sub>-neutral

CO<sub>2</sub>-neutral means that a certain process (e.g. the production of a vehicle) has no impact on the CO<sub>2</sub> concentration in the atmosphere. This can be achieved by means of carbon offset projects [① Gold Standard](#). Such projects can involve the planting of trees, for example, in order to offset the CO<sub>2</sub> emissions created during vehicle production.

## Design for Environment (DfE)

Design for Environment is a concept that aims to reduce the environmental impact of products, processes, and services.

## Drivetrain

A vehicle's drivetrain includes all of the components that provide the power for propulsion. Besides the engine, these components include the clutch, the transmission, and the wheels, for example.

## Driving mode recorder

The law requires conditionally and highly automated vehicles to have a driving mode recorder in Germany. If there is an accident, the recorder makes it possible to determine who was steering the vehicle at the time: a human driver or the system.

## E-fuels

E-fuels are synthetic fuels that are produced with the help of electricity from water and carbon dioxide (CO<sub>2</sub>).

## Electrical architecture

The term electrical architecture refers to the technical design of an electrically powered vehicle. It includes the specifications for the voltage level of the battery and the electronic parts as well as for the software for operating the components.

## EQ

The EQ series is the new product brand for electric mobility from Mercedes-Benz. Its product portfolio ranges from electric vehicles and wallboxes to charging services and home energy storage devices.

## Euro 6d-Temp standard

The Euro 6d-Temp standard is an emissions standard that has applied to new vehicle models since September 2018 and sets limits for pollutant emissions into the atmosphere. The [① 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.

## Fuel cell

A fuel cell can convert the chemical reaction energy of a fuel (e.g. hydrogen) and an oxidizer (generally oxygen) into electricity. This electricity can be used to power an electric motor, for example. A fuel cell vehicle that runs on hydrogen does not emit carbon dioxide or nitrogen oxides.

## Futures market

On the futures market, goods, securities, and currencies can be bought at a specified price or exchange rate for delivery at a predetermined time in the future. Companies use this market to hedge against price fluctuations.

## General Data Protection Regulation (GDPR)

The General Data Protection Regulation was issued by the European Union. It contains rules for the processing of personal data and harmonizes these rules throughout the EU.

## Global battery production network

In the future, Mercedes-Benz Cars' global battery production network will consist of nine factories at seven locations on three continents. There will be two factories each in Kamenz (Germany) and Stuttgart-Untertürkheim (Germany) as well as one factory each in Sindelfingen (Germany), Jawor (Poland), Beijing (China), Tuscaloosa (United States), and Bangkok (Thailand). It will ensure that production remains flexible and able to respond to changes in demand in individual markets.

## Gold Standard

The Gold Standard is the highest quality standard for carbon-offsetting projects. Gold Standard projects not only avoid CO<sub>2</sub>, they also contribute to the project location's sustainable environmental and social development. The Gold Standard was developed under the direction of the World Wildlife Fund (WWF) and with the assistance of the German Ministry of the Environment.

## Greenhouse Gas Protocol (GHG)

The Greenhouse Gas Protocol (or GHG Protocol for short) is currently the most common series of accounting standards for greenhouse gas emissions.

## High-voltage batteries

High-voltage (HV) batteries supply the electric motors of electric and hybrid vehicles with energy. They can be recharged. They use chemical processes to store energy that can be released again as needed.

## Hybrid drive unit

Hybrid drive units are used in cutting-edge hybrid vehicle concepts. They encompass a torque converter, an engine separator clutch, and an electrical machine.

## ISO 14001

Created by the International Organization for Standardization, ISO 14001 is a world-leading standard for environmental management systems.

## Life cycle assessment

The life cycle assessment (LCA) is a systematic analysis of the environmental impact of products, processes, and services along the entire value chain – from development to the use phase and recycling.

## 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.

## NAFTA

The North American Free Trade Agreement (NAFTA) is a trade bloc between Canada, the United States, and Mexico. The agreement aims to promote trade between the member countries and make investments easier.

## 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](#) as of September 1, 2017.

## NGO

Non-governmental organization

## NO<sub>x</sub>

NO<sub>x</sub> is the general term for the nitrogen oxides that are especially relevant to air pollution: nitrogen oxide (NO) and nitrogen dioxide (NO<sub>2</sub>). The gases contribute to the formation of smog and acid rain and also influence the ozone layer.

## OECD

The Organisation for Economic Co-operation and Development (OECD), which is based in Paris, is an international organization encompassing 36 member countries that are committed to democracy and a market economy.

## Onboard charger performance

Onboard chargers are charging devices that are permanently installed in electrically powered vehicles in order to charge the battery. The higher a charger's performance, the faster it can recharge a vehicle.

## Paris Agreement

On December 12, 2015, 197 countries adopted the agreement by consensus during the United Nations Climate Change Conference in Paris. The agreement aims to limit global warming to significantly less than two degrees Celsius, compared to pre-industrial values.

## Payload

The maximum weight that a vehicle can take on in addition to its empty load is referred to as payload.

## 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.

## Powertrain

See [Drivetrain](#)

## 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.

## Product specifications

Product specifications contain all of the requirements that a vehicle has to meet. They serve as the guiding principle for a vehicle's development and production.

## Range extender

Range extenders are additional major assemblies that an electric vehicle can contain to extend its range.

## 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

Recuperation is the recovery of electrical energy that would otherwise be lost as heat.

## Redundant safety systems

Safety-relevant functions are duplicated in redundant safety systems. If the primary braking system fails, for example, the secondary system will be responsible for braking.

## Remanufacturing

In the remanufacturing process, used Mercedes-Benz genuine parts are reconditioned in such a way that their functionality, safety, and quality correspond to those of a new part.

## Reuse

Components are reused in order to save costs and materials. When a material is no longer needed in one area, it can be reused somewhere else. This can save primary raw materials, for example, whose extraction might impact the environment.

## Ride hailing

Ride hailing refers to a form of mobility in which a person uses an app to request a ride. Unlike the case with [ridesharing](#), the vehicle generally is not shared with other passengers.

## Ridesharing

Ridesharing refers to the shared use of a vehicle to transport passengers from one place to another.

## 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.

## Scope 1 emissions

Greenhouse gas emissions caused by a company's own activities, e.g. through the generation of energy and heat in its own power plants or the operation of its own fleet of vehicles.

## Scope 2 emissions

Greenhouse gas emissions caused by the generation and transport of purchased energy, e.g. electricity or district heat.

## Scope 3 emissions

Greenhouse gas emissions caused by upstream and downstream activities. These include greenhouse gases emitted in the supply chain and emissions caused by our vehicles that are operated by customers.

## 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). The tests aim to make the vehicles' fuel consumption values comparable.

## Tank-to-wheel (TtW)

Unlike the more comprehensive [well-to-wheel](#) assessment, tank-to-wheel assessments take into account the chain of cause and effect from the time energy (e. g. gasoline, electricity) is put into a vehicle until it is released during driving.

## 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 1 suppliers.

## 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.

## VECTO

The VECTO (Vehicle Energy Consumption Calculation Tool) is a new simulation tool that was developed by the European Commission for determining the CO<sub>2</sub> emissions and fuel consumption of heavy-duty commercial vehicles (trucks, buses, and coaches) with a gross vehicle weight of over 3.5 metric tons.

## Wallbox

A wallbox is a wall-mounted charging station for electric vehicles.

## Well-to-wheel (WtW)

A well-to-wheel assessment takes into account not only driving operation (as is the case with a [① 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 [① NEDC](#) measurement procedure on September 1, 2017.

# Imprint

GRI 102-1/-3/-53

**Publisher**

Daimler AG  
70546 Stuttgart, Germany

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**Editing and design**

Stakeholder Reporting GmbH  
nexxar GmbH

**Photography**

Daimler AG Image Archive,  
iStock (pp. 5, 7, 10, 12, 66, 70, 73, 74, 80, 83)

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