

E | Non-Financial Report

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

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

Information on our business model ([👁 page 74 ff](#) of Annual Report 2018) and on non-financial risks connected with the aspects presented in this report (Risk and Opportunity Report [👁 pages 156, 157](#) of Annual Report 2018) is provided in the Combined Management Report in the Annual Report 2018.

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

Sustainability at Daimler

Sustainability is one of the basic principles of our corporate strategy as well as a benchmark for our success as a company. This approach means that we take advantage of the opportunities associated with sustainability to enhance our business success, while including environmental and social effects into our considerations.

Our strategy

We believe that a long-term sustainability strategy and effective sustainability management are the preconditions for ensuring that we continue to be one of the world's leading automobile manufacturers in the future. Sustainability is therefore firmly established as a fundamental principle of our corporate strategy at the implementation level.

In order to identify and prioritize the sustainability aspects that are relevant to our strategy, we regularly conduct a multi-stage materiality analysis. This analysis combines our own assessments with those of our stakeholders, who include our shareholders and creditors, employees, customers and suppliers, as well as governments, environmental and human rights organizations and other stakeholders from civil society. Their opinions are also always requested whenever we decide on measures for expanding and adjusting the sustainability aspects of our strategy.

In the year under review, we conducted a regular internal assessment of current developments, which confirmed the prioritization of key areas of action that we had established in 2017.

In 2018, we continued to define the concrete details of the Sustainability Strategy 2030 that we had formulated in the previous year. As a result, the areas of action that had been defined in 2017 were even more sharply focused with regard to comprehensibility and clarity. Our activities related to sustainability concentrate on the following focal topics:

- Climate protection and air quality
- Resource conservation
- Livable cities
- Traffic safety
- Data responsibility
- Human rights
- Integrity, people and partnerships

These focal points determine the structure of our sustainability management activities and our annual sustainability reporting. In addition, when we identified the material aspects to be addressed by this non-financial report, we took the focal topics of our sustainability strategy as our starting point. However, in some cases, we emphasize different aspects because of the divergent requirements set by the standards and laws that are relevant to this report.

With our strategy, we would like to help achieve the Sustainable Development Goals (SDGs) that were approved by the United Nations in September 2015. Our areas of action and the sustainability-related activities that underlie them support the following SDGs in particular:

- **SDG 8** – Decent Work and Economic Growth
By developing and implementing a risk-based management approach to respecting and upholding human rights in our own units and our supply chain, we support the implementation of decent work as defined by SDG 8.
- **SDG 9** – Industry, Innovation and Infrastructure
Through the advanced development of automated and autonomous driving and the expected benefits for safety and climate protection, we demonstrate the long-term potential of digital innovations.
- **SDG 11** – Sustainable Cities and Communities
Daimler promotes sustainable mobility in urban areas through its offerings in the areas of car sharing, ride hailing and the multimodal linking of mobility services (Mobility as a Service).
- **SDG 12** – Responsible Consumption and Production
By significantly reducing the use of primary raw materials for electric drive systems and reinforcing the material cycles of primary raw materials that are needed for our e-drive system, we are setting the course for sustainable production models in line with this SDG.
- **SDG 13** – Climate Change
Through our initiative “The Road to Emission-free Driving” and the reduction targets it sets for our fleet emissions, we are helping to protect the planet from the effects of climate change.

Sustainable corporate governance

Our sustainability objectives and their management are part of our corporate governance system and are also included in the targets of our executives.

The Corporate Sustainability Board (CSB) is our central management body for all sustainability issues. The CSB is headed by Renata Jungo Brüngger (the Board of Management member responsible for Integrity and Legal Affairs) and Ola Källenius (the Board of Management member responsible for Group Research & Mercedes-Benz Cars Development). The operational work is done by the Corporate Sustainability Office (CSO), which consists of representatives from the specialist departments and the divisions.

Integrity, compliance and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all our actions. We view integrity and values-based compliance as firm elements of our corporate culture and our daily business activities – elements that contribute to our company's lasting success. The basis for this is our Integrity Code, which defines guidelines for our everyday business conduct, offers our employees orientation and helps them make the right decisions even in difficult business situations. The Integrity Code is supplemented by other in-house principles and guidelines.

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

Sustainability management in the supply chain

Our standards and requirements

Our Supplier Sustainability Standards, which are an integral part of our conditions of business, define our requirements for working conditions, human rights, environmental protection, safety, business ethics and compliance. We urgently require our direct suppliers of goods and services all over the world to comply with these standards.

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. We also expect this of our suppliers of non-production materials on the basis of our risk assessments. With regard to animal protection, we require our suppliers to comply with applicable laws and regulations. We do not tolerate or support the unethical treatment of animals.

We demand that our direct suppliers commit themselves to observing our sustainability standards, communicating them to their employees and to their upstream value chains, and then checking to ensure that the standards are complied with. We support them in these activities by providing them with targeted information and training and qualification measures. The central information platform for suppliers is our Daimler Supplier Portal.

Further information is available at: supplier.daimler.com

Supplier review

Our employees review new suppliers of production materials to Global Procurement Trucks & Buses in high-risk countries by means of sustainability-related on-site assessments. At Mercedes-Benz Cars, new suppliers in less risk-prone countries are also investigated by our procurement and quality employees, with a specific focus on their sustainability performance. We also conduct a more thorough assessment where this is necessary. The results of the assessment are discussed in management committees and flow into decisions on whether to award a contract.

To ensure that our direct suppliers comply with the sustainability standards, we regularly conduct risk analyses. 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. With the help of an online survey, we also question our main suppliers about their sustainability management and their communication of these requirements to their upstream value chains. On the basis of the results, we define measures to improve their sustainability performance.

We have established a complaint-management process that enables individuals to draw attention to possible human rights violations at suppliers. In this context, we work together closely with the world employee committee. We bring together all the available information and take action if the reports are well-founded. The suppliers are requested to respond to the accusations; after that, we assess the facts of the case and take the necessary measures. This can lead to the termination of a business relationship. However, it is not always productive to end cooperation with a supplier immediately after a case of misconduct. It often makes more sense to work together with the supplier to improve the situation. This approach also benefits the people at the location. In addition to the complaint-management process, information on misconduct can always be submitted to the BPO whistleblower system ([page 217](#)) established by Daimler.

Environmental Issues

Protecting the environment is a primary corporate objective of our Group. Environmental protection is not separate from other objectives at Daimler, but is an integral component of a corporate strategy aimed at long-term value creation. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. They also express our commitment to integrated environmental protection that addresses the underlying factors with an impact on the environment, assesses the environmental effects of production processes and products in advance, and takes these findings into account in corporate decision-making.

Climate protection

Target

The Paris accord on climate protection aims to limit global warming to significantly less than two degrees Celsius compared with the preindustrial level. It requires a significant intensification of measures, in particular more stringent CO₂ targets for all countries and sectors. We are in the process of deriving specific targets for all of our business divisions regarding the reduction of our products' CO₂ emissions. These targets refer to the period until 2030 and will be binding on the Daimler Group worldwide.

Our current reduction target for driving operation (tank-to-wheel) is -44% (2007 – 2021) for cars in the new-vehicle fleet in Europe. We are steadily continuing our efforts to reach this target.

Measures

Our goal is to also safeguard mobility for the generations to come. That is why we strive to offer our customers safe, efficient and low-emission vehicles and services. A core element of our approach here is to achieve a drive-system mix that is tailored to the market requirements. Our "Road to Emission-free Driving" initiative defines the primary focal points for developing new, extremely fuel-efficient and environmentally friendly drive-system technologies at all of our automotive divisions:

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

Due diligence processes

An environmental protection guideline passed by the Board of Management formulates our approach: We develop products that are especially environmentally friendly and energy-efficient in their respective market segments. A vehicle's environmental impact is largely decided during the first stages of its development. The earlier we integrate environmentally responsible product development (Design for Environment, DfE) into the development process, the more efficiently we can minimize the impact on the environment. That is why continuous improvements in environmental compatibility are a major requirement in the creation of the product performance specifications. For every vehicle model and every engine variant, we have requirement specifications that define the characteristics and target values that must be achieved. These specifications include requirements concerning fuel consumption and emissions limit values for CO₂ and nitrogen oxides. During the development process we regularly monitor compliance with these specifications.

In a committee situated directly below the Board of Management level, the managers responsible for each vehicle model series evaluate the results of this monitoring process and decide on any necessary corrective measures. If corrections are needed, the managing body of the respective division is included in the decision-making. If the situation continues to escalate, the responsible member of the Board of Management is also included.

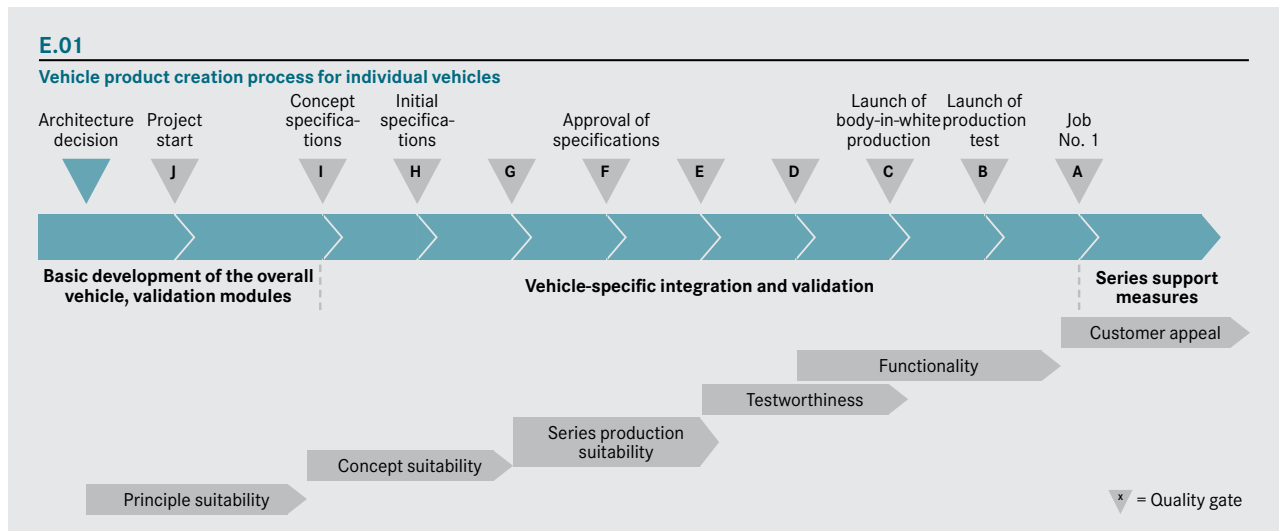
The CO₂ process in vehicle development

All of the divisions integrate all vehicle-related goals, including those that are relevant to the environment, into their vehicle development process according to a similar pattern. The chart **7 E.01** shows the Mercedes-Benz Development System (MDS) as an example. In many markets there are fleet targets for the fuel consumption and CO₂ emissions of cars and light commercial vehicles – in other words, overall targets for all the new vehicles sold in a given market. The corresponding controlling process for reaching the CO₂ fleet consumption target for Cars≈Europe (EU 28) is shown as an example.

The key factors for determining the target values for fuel consumption and CO₂ emissions are the technological possibilities, the legal requirements including the fleet targets for fuel consumption, and customer wishes. The body responsible for complying with these goals and for transparency regarding the target attainment level is the CO₂ steering committee, which is headed by the Board of Management member responsible for Group Research and Mercedes-Benz Cars Development.

The fleet values for CO₂ emissions are calculated on the basis of the fuel economy numbers of the vehicles available on the market and the fuel economy specifications and prognoses for vehicles that are still in the development phase. These values are combined with the sales forecasts in order to arrive at the projected fleet values for CO₂ emissions.

The actual values may deviate from the projected target values because of various external factors such as alterations in the sales structure, changes in the political framework conditions or changes in the fuel consumption target values of the vehicles that are still in the development phase. In case of a deviation, the CO₂ steering committee organizes an assessment of various options and then decides on the measures to be initiated. If the need for adjustment is especially urgent, the process is escalated to the responsible managing body. From a strategic standpoint, this process takes place over a period of approximately ten years.



Result

In the year under review, the average CO₂ emissions of the total fleet of Mercedes-Benz Cars in Europe (EU28 +Iceland) increased to 132 (2017: 125) g/km (NEDC).

The transition from the NEDC to the WLTP as the legally stipulated CO₂ emission measurement cycle for individual vehicles has led to a significant increase in our fleet emission values. At the same time, the shift of sales from vehicles with diesel engines to cars powered by gasoline engines, as well as a further increase in sales of large SUVs and all-wheel-drive vehicles, have contributed to a higher CO₂ value for our fleet.

Because all vehicle models will have been certified in accordance with the WLTP by September 2019, we expect only a slightly lower CO₂ value for our fleet in 2019, in spite of further progress in reducing our vehicles' fuel consumption. Our vehicle electrification measures are expected to lead to a significant decrease in our fleet's CO₂ emissions in 2020.

The new WLTP test cycle. Since September 2017, all of our new car types in Europe have been certified according to the Worldwide Harmonized Light Vehicles Test Procedure (WLTP). This test procedure includes numerous changes compared to the previous New European Driving Cycle (NEDC). The changes include higher average and maximum speeds, more dynamic handling, gliding inertial masses instead of inertia classes, a smaller standstill share of total fuel consumption, and consideration of special equipment and the quiescent current requirement. Overall, these changes are leading to more realistic, but also higher, fuel economy values.

According to the legal requirements, until 2021 automakers must calculate the CO₂ emissions of their vehicle fleets in Europe by using a predefined formula to convert the vehicles' WLTP values back into NEDC values. This explains why every new vehicle is certified according to the WLTP although the European CO₂ emission value of the automaker's fleet is still indicated as the NEDC value. The legislators want to ensure the comparability of the automakers' fleet values in the period until 2022, when a new limit value will come into force.

We continue to work hard to meet all statutory CO₂ requirements, including the very challenging EU limits for 2021. However, reaching these fleet targets will depend not only on offering appealing and highly efficient vehicles with electric drives, but also on our customers' actually deciding to buy those models. In order to optimally position ourselves in this respect, we are systematically changing over our product range to the latest engine generations, and are also systematically electrifying our portfolio with plug-in hybrids and all-electric vehicles.

Clean air

Target

In addition to climate protection, the improvement of inner-city air quality will continue to be an important environmental consideration in the future. Traffic still accounts for a considerable share of nitrogen oxide pollution near roads. Our fundamental goal is to fulfill emission requirements as far in advance as possible and to reduce potential risks for human beings and the environment.

Measures

Cutting-edge technologies are enabling us to steadily reduce the pollutant emissions of our cars and commercial vehicles. In doing so, we have set our sights not only on conventional gasoline and diesel engines but also on hybrid vehicles that combine conventional and electric drive technologies.

The introduction of the new diesel engine families consisting of the OM654, the OM656 and the OM608, as well as the increasing electrification of drive systems, will greatly help us to reach the emission targets.

Our plan for the future of diesel engines also includes the development of software updates for a total of more than three million vehicles owned by customers – significantly more than one million of which are in Germany. With the updates, we are improving the NO_x emission performance of our vehicles under real driving conditions by an average of 25 to 30%. Verification is with the use of the measuring cycles approved by the authorities (WLTC 1, 2, 3).

After talks with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) in June 2018 and by order of the German Federal Motor Transport Authority (KBA), Daimler is carrying out a mandatory recall of approximately 690,000 vehicles in Europe (including approximately 280,000 in Germany). The great majority of these vehicles were already covered by Daimler's program of voluntary service measures announced in July 2017. These measures are being implemented in close cooperation with Germany's vehicle registration agencies.

Daimler supports the German federal government's concept for clean air and the safeguarding of individual mobility. By means of an attractive incentive program in the defined priority regions, we are accelerating the renewal of the vehicle fleet. In this way, Daimler is making a significant contribution to the German government's concept in order to avoid any disadvantages for drivers of diesel-powered cars.

Following the coalition decision, in early October 2018, Daimler also announced its intention to participate in a hardware retrofit program for diesel vehicles in the defined priority regions as part of the German government's concept for clean air and the safeguarding of individual mobility. Within this context, Daimler is prepared to cover the cost of a hardware retrofitting up to a maximum value of €3,000 for Mercedes-Benz customers with Euro 5 diesel vehicles in the defined priority regions. The retrofitting must be developed and offered by a third-party supplier and approved by the German Federal Motor Transport Authority (KBA). In addition, it must demonstrably authorize entry into certain cities, including driving on roads affected by the driving ban. Daimler's aim is to promote the interests of its customers by creating transparency as to which hardware solutions third-party suppliers can offer, and when.

Increasing the mobility fund. We have significantly increased our planned contribution to the "Immediate Action Program for Clean Air," which was agreed on at the National Forum Diesel in August 2017. Together with BMW and Volkswagen, we are now providing the automobile industry's entire share of the funding.

Local measures. With regard to the local measures, Daimler is focusing in particular on Stuttgart. For example, we are subsidizing our employees' use of public transport, such as the commuter train, streetcar and bus networks, to get to work. Thanks to Daimler's coverage of the costs, since January 2018 the Group's employees have 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.

In order to assess the effects of modern diesel engines in the fleet and to factor in possible future driving bans, we have commissioned a calculation of future air quality scenarios at Neckartor in Stuttgart, together with the Robert Bosch company and in close cooperation with the Stuttgart city government and the responsible federal state ministries. An advisory committee of recognized experts and university professors supported the study, which was conducted by the Aviso company. According to the scenarios of the study, the limits will probably not be reached at Neckartor by 2020. But – depending on the package of measures implemented – the limit of 40 micrograms per cubic meter of ambient air is expected to be permanently met between 2020 and 2025.

Result

Mercedes-Benz vehicles powered by the new diesel engines (OM 654, OM 656 and OM 608) emit between 40 and 60 milligrams of nitrogen oxide (NO_x) on average – during thousands of kilometers of driving on the road and under the conditions specified by the Real Driving Emissions (RDE) test. These figures are significantly lower than the current RDE emissions limit of 80 milligrams per kilometer multiplied by the correlation factor 2.1 (Level 1). The correlation factor was determined by an EU regulation to cover the usually higher nitrogen-oxide emissions in real operation for new vehicle types until the end of 2019.

The lower values are made possible by an innovative overall package consisting of the engine and the exhaust aftertreatment system. This package was launched with the new engine generation in 2016 and is being continually enhanced. The very good results have been repeatedly confirmed in road tests by organizations such as DEKRA and TÜV, as well as by various trade magazines.

Conservation of resources

Target

Evaluating the environmental compatibility of a vehicle requires an analysis of the emissions and use of resources throughout the entire lifecycle.

Measures and result

During the development process of a vehicle, we prepare a recycling concept for each vehicle model in which all of its components and materials are examined with a view to their suitability for the various stages of the recycling process. As a result, all Mercedes-Benz car models are 85% recyclable and 95% recoverable, pursuant to ISO 22 628. The key aspects of our activities in this area are:

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

Production-related environmental protection

Target

Our commitment to the environment is an integral component of our corporate strategy. For this reason, we have established environmental management systems at our manufacturing locations with the goal of providing safe, efficient, environmentally friendly services of guaranteed high quality that comply with all legal stipulations. We also carry out environmental risk assessments at all production locations in which the Group has a majority interest in the ownership structure. Supported by the use of Daimler Group standards, we strive to maintain a high level of air quality control, climate protection and resource conservation (in terms of water consumption, waste management and soil conservation).

E.02**Methodology for assessing environmental risks****Measures**

The environmental and energy-related guidelines approved by the Board of Management define our environmental and energy-related policy at the Daimler Group. The guidelines also express our commitment to integrated environmental protection. That begins with the assessment of the causes of environment problems and takes into account the environmental effects of production processes and products as early as the planning and development phases.

Environmental protection measures at our production locations are coordinated across business units by three regional committees (Germany/Europe, North and South America and Asia) that are centrally managed. These measures are regulated in line with a corporate policy and organizational and technical standards.

The environmental measures are monitored by external auditors (ISO 14001 certification, EMAS validation) and by internal environmental risk assessments (the due diligence process). We conduct training sessions through the respective local organizations. The important content of our training sessions includes water pollution control, wastewater treatment, emergency management in case of environmentally relevant malfunctions and the planning of plants and workplaces in accordance with environmental protection principles.

Due diligence processes

In 1999, we developed a methodology for assessing environmental risks (environmental due diligence) as a tool for preventing risks to the environment and complying with statutory requirements. We have applied this methodology throughout the Group since 2000, both internally and also externally in connection with our acquisition plans. During this period we have conducted three complete risk assessments at the Daimler production plants of Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks and Daimler Buses.

The fourth round of environmental risk assessments began in 2014. A number of new risk aspects have been integrated into the topic areas. Nonetheless, we have not changed the methods or the tools, because we want these results to be comparable with the results of the assessments that have already been carried out. [↗ E.02](#)

Result

In this way, all the production locations are being visited and assessed in five-year cycles according to well-established and standardized procedures. The results are reported to the plant and divisional managements, and the Group annually assesses the implementation of the recommendations for minimizing risks at the locations. In this way, we are striving to enforce the high environmental standards to which we have committed ourselves at all of our production locations around the world.

In 2018, we evaluated the production locations of the Detroit Diesel Remanufacturing business area and a number of CKD plants of MBC. The most important results were in the areas of explosion protection and the proper storage of hazardous substances.

Mobility services

In addition to our products' high level of environmental compatibility and our environmentally friendly and efficient production processes, we also strive to provide innovative mobility services on the road to emission-free driving. That is why we have developed a range of pioneering mobility concepts and are forging ahead with innovative approaches – from the car-sharing provider car2go and the mobility platform moovel to the taxi app mytaxi and our participation in the coach company FlixBus and the Bus Rapid Transit (BRT) system. Recent additions to this list in 2018 were ViaVan, an on-demand ride-sharing service with two locations in the UK; a partnership with the Chinese ride-hailing service CaoCao, which has more than 17 million registered users; and the acquisition of an interest in Turo, the US market leader for car sharing with private vehicles, which already has five million users. The merger of the German peer-to-peer car-sharing platform Croove, in which Daimler already holds an interest, should ease the US company's entry into the German market.

The joint venture for mobility services planned by Daimler and BMW is moving forward step by step. The authorities have now approved the companies' plan to establish the joint venture. The merger of our on-demand mobility services in the areas of car sharing, ride hailing, parking, charging and multi-modality with the mobility services of BMW is intended to give additional impetus to our activities for the expansion and improvement of mobility services.

Employee Issues

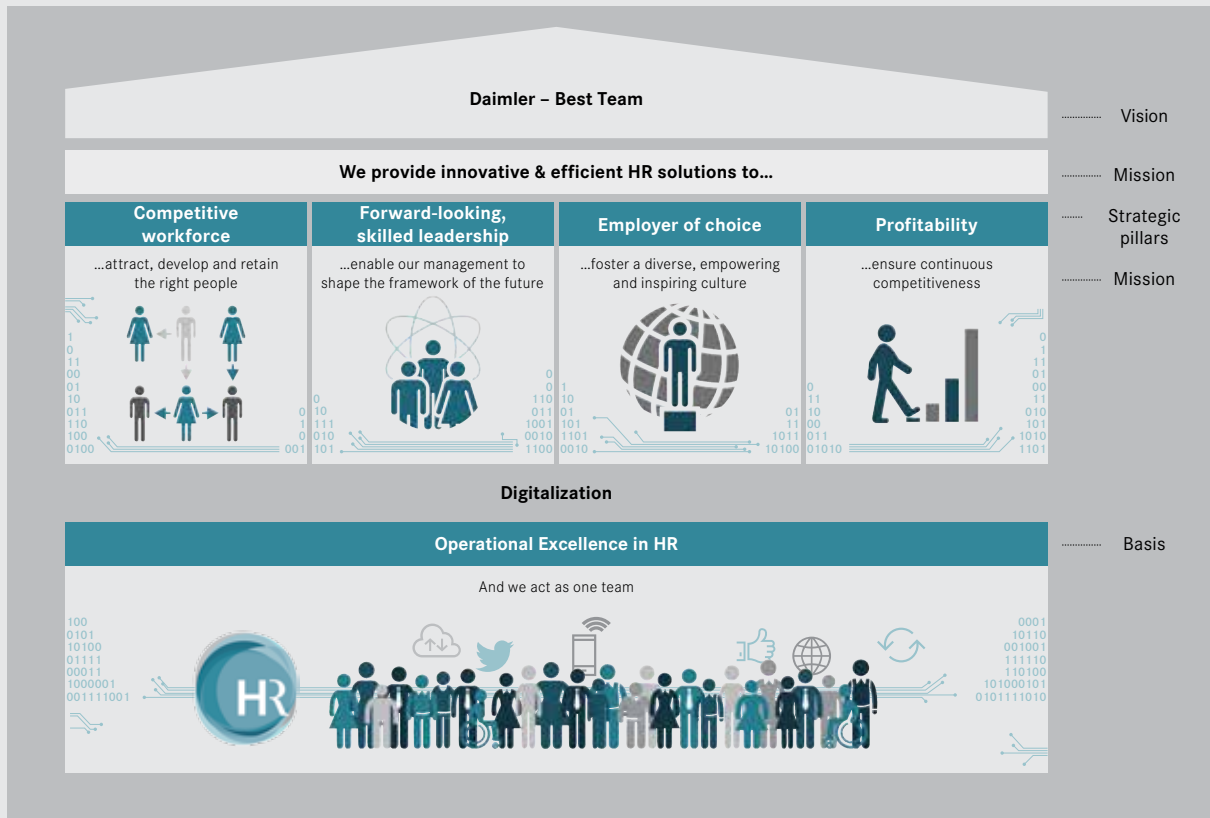
The success of Daimler AG and its subsidiaries is largely dependent on the skills and commitment of our employees. More than 298,000 people promote our company’s success worldwide by contributing their concepts and ideas to their tasks and work processes and by helping to make improvements and create innovations. Trusting relationships with employees are therefore more than just an ethical and legal requirement for us – without them, we would not be able to conduct our business successfully.

General figures regarding the development of our workforce numbers can be found in the Workforce section of the Management Report. [pages 113 f](#)

In order to recruit, develop and retain highly qualified staff, we are continuously striving to further improve our attractiveness as an employer. Because our executives and managers should motivate their employees to achieve top performance, it is crucial that we equip them with outstanding leadership skills. In addition, we want to take on social responsibility and let diversity flourish in our global company.

A professional HR organization and efficient operating processes form the basis for the implementation of these overarching goals, from which we have derived key areas of action. The main control tool we use is our HR Scorecard, which uses key performance indicators concerning demographic development, diversity and sick rates to provide information about the sustainability of human resources measures and processes in the individual areas of action.

E.03
HR Strategy 2025



Partnership with the employees

We want to work together with our employees as partners, respect their interests and get them involved in the company by continuously providing them with information and enabling them to participate in decision-making processes. To achieve these goals, we are guided not only by the International Labour Organization's (ILO) work and social standards but also by our Principles of Social Responsibility. In these principles, we commit ourselves, among other things, to respecting key employee rights – from the provision of equal opportunities to the right to receive equal pay for equal work. Violations of these principles can be reported to the whistleblower system BPO, which addresses further investigations to the pertinent units.

Our employees also 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). We have signed collective bargaining agreements for all of the employees at Daimler AG, and this also applies to the majority of our employees throughout the Group.

In a variety of committees, we regularly inform the employee representatives about the economic situation and all of the key changes at Daimler AG and 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.

One result of the ongoing dialogue between the corporate management and the employees' association was the renewal of the company-wide "Safeguarding the Future of Daimler" agreement in 2015. This accord, which is valid until 2020, enables the company to respond to the "future plan" agreements that have been reached at many of the locations of Daimler AG with concrete investment commitments, flexible personnel assignment models and the possibility of selectively increasing staffing requirements. As a result, we can make use of market opportunities and better absorb fluctuations in demand. The company-wide agreement essentially protects all of the employees of Daimler AG in Germany from being laid off until the end of 2020.

The expansion of this Safeguarding the Future agreement is also an integral part of "Project Future" for restructuring our Group, and it is being implemented in close cooperation with the employee representatives. If Project Future is implemented, Daimler AG's Safeguarding the Future agreement will be extended until 2029. As a result, terminations for operational reasons would be excluded on principle until December 31, 2029 for all employees who are affected by a transition of operations resulting from the new Group structure and who do not contest their transfer to the new organization.

High attractiveness as an employer

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

Attractive and fair remuneration

We remunerate work in accordance with the same principles at all our affiliates 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 the employees' tasks and performance, and in line with their qualifications and experience. In setting the remuneration of the employees we are not guided by gender or place of origin, but exclusively by the employee's job and responsibility.

In cases where Daimler AG and its Group companies have signed collective bargaining agreements, they often also offer voluntary benefits that are agreed upon with the respective employees' associations. These benefits primarily consist of employer-funded retirement contributions as well as profit-sharing agreements for the respective company. For example, the eligible employees of Daimler AG will receive a profit participation of €4,965 for 2018 (2017: €5,700). In addition, our employees can avail themselves of a wide variety of sports facilities and social amenities, ranging from daycare centers to the counseling service for people in extreme situations.

In 2018 the Group spent:

- €18,329 billion on wages and salaries (thereof Daimler AG: €11,569 billion),
- €3,332 billion on social welfare services (thereof Daimler AG: €1,849 billion), and
- €0.8 billion on retirement benefits for a workforce numbering 298,465 on average (thereof Daimler AG: 151,879 employees).

Modern working conditions

Working conditions are being increasingly influenced by working hours, workplaces, the work environment, the level of employee empowerment and a state-of-the-art management culture. The length of our employees' workweek is generally regulated by the company or by a collective bargaining agreement. In Germany, overtime is only performed within the framework of a requirements planning forecast and has to be approved by the employee representatives. In general, we allocate working times in such a way that remuneration remains stable even if the amount of work sometimes fluctuates. This is made possible by a time-account system.

Flexible working arrangements

Today's living and working conditions require working times to be flexibly organized in accordance with individual needs. Our approach is therefore to challenge our employees to achieve top performance and support their efforts to do so, rather than focus on their mere presence at work. For this reason, we also seek to improve performance by helping employees and managers reconcile their professional and personal responsibilities.

We also boost employees' flexibility and self-determination by giving them the opportunity for mobile working. An associated company agreement has been in force at Daimler AG since December 2016. The agreement gives employees the right to mobile working if the task permits.

We also promote job sharing, in which two employees share the same task or position and work together up to 60 hours per week. This provides managers in particular with a means of reconciling the needs of work and family.

Furthermore, company agreements at Daimler AG enable employees to suspend their careers for several years for a qualification program or a sabbatical or to provide home care – with the promise that they can return to Daimler AG afterwards.

We encourage all employees who take parental leave to subsequently return to their jobs at the company because we value their knowledge and experience. In Germany, we offer about 705 places in daycare centers in close proximity to our company locations as well as about 200 reserved places at cooperating facilities. In addition, we cooperate with a third party that assists employees in finding childcare providers.

In 2018, around 3,800 employees at Daimler AG availed themselves of the opportunity to take parental leave. Moreover, around 400 employees took advantage of the opportunity to take off work for a prolonged period. At the end of 2018, more than 250 employees were working in job-sharing positions at the team, sub-department and departmental levels.

Leadership 2020 – further development of the management culture

Our business is changing at a rapid pace. In order to remain successful in the future, we are changing 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 management are currently working on Daimler's future management culture. Guidance is provided by new management principles that, among other things, make the company faster and more flexible and boost its innovative potential. Procedures, processes and structures are being called into question and changed in eight "game changers." In its meetings, the Board of Management of Daimler AG regularly discusses the initiative's progress and decides which measures need to be taken.

Successful employee survey

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 conducted in 2018 was based on a completely

new concept. In September 2018, nearly 300,000 employees in more than 50 countries were invited to participate in the survey and send us their feedback. The Group-wide participation rate of 80 percent was the highest rate posted to date for a Group-wide employee survey at Daimler. This outstanding participation rate underscores our employees' interest and their willingness to actively help shape the company's further development. 75% of our employees who participated in the survey reported that they are satisfied or very satisfied with Daimler as an employer and that they are proud to work at Daimler.

Our employees' great loyalty to the company is also expressed by the amount of time they have worked for Daimler. During the year under review the average number of years our employees have worked for Daimler decreased slightly to 15.8 years (2017: 16.1 years). In Germany, employees had worked for the Group for an average of 19.4 years at the end of 2018 (2017: 19.5 years). The comparative figure for Daimler AG was 20.2 years (2017: 20.3 years). Daimler employees outside Germany had worked for the Group for an average of 10.6 years (2017: 11.0 years). In 2018, our labor turnover rate amounted to 4.9% worldwide (2017: 5.1%).

A competitive workforce

We can only be successful if we have a skilled and high-performing workforce. We therefore aim to continuously develop our employees and make sure they stay competitive. We are pursuing this goal by implementing measures in four overarching areas of action: diversity management, the securing of young talent, qualification, and health management and occupational safety.

Diversity management

Daimler promotes the diversity and heterogeneity of its employees, because they serve as the basis of a high-performing company. As a result, diversity management is included in our corporate strategy. The various skills and talents of our workforce enable us as a global company to effectively reflect the diversity of our customers, suppliers and investors around the world.

Daimler's more than 298,000 employees from over 160 countries provide the Group with a vibrant mixture of cultures and ways of life. We utilize this diversity to put together optimized teams. Most of our managers abroad come from the respective regions. We promote the cultural diversity of our employees with worldwide staff assignments, mentoring, intercultural skills training and targeted recruiting measures. International candidates account for more than one third of the people recruited through our previous CAREer trainee program.

Our aim is to increase the share of women in management positions to at least 20% by the year 2020. Currently more than 18% of our executives in middle and upper management are women. For Daimler AG, we signed a company-wide agreement for the advancement of women. It 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.

The age differences at the company will rise in the future due to the increase in the retirement age and the extension of people's working lives. The average age of our global workforce in 2018 was 42.7 years (2017: 42.8). Our employees at Daimler AG were 44.8 years old on average (2017: 44.7). Demographic development will cause the average age to continue to rise in the years ahead. However, the proportion of older employees will decrease again over the long term because many baby boomers will retire from the company. We consider this transformation to be an opportunity, and we are adjusting the framework conditions accordingly. Our generation management system focuses on measures for maintaining the performance and health of younger and older employees as well as for promoting cooperation between people of different ages.

Once every quarter, the Board of Management discusses our diversity management activities and the associated results. We also hold discussions with external stakeholders as part of our involvement in the Diversity Charter, of which we are a founding member.

Securing young talent

Daimler takes a holistic approach to securing young talent. Our STEM educational initiative, "Genius", offers many activities that get children and young people enthusiastic about technology topics. Genius also helps teachers make their classes varied and future-oriented by offering them practice-related instructional materials, interactive technology workshops and advanced training courses.

Along with technical and commercial apprenticeships and courses of study at the Cooperative University, we also conduct various activities that address young talents. We offer extensive possibilities to personally interact with the company via social media, hackathons, competitions and internships.

After completing their college degrees, graduates can directly join our company or launch their careers at Daimler by taking part in INspire, a series of varied international talent training programs. Each one of our talent training programs offers cross-unit insights, first-class training and personal coaching. For example, "INspire – the Leaders' Lab" is designed for young professionals with initial practical experience who would like to specifically prepare for management positions at the company.

Daimler has offered an in-house trainee program called CAREer since 2007. The talent training program "INspire – the Leaders' Lab", which replaced CAREer in 2018, is directed at participants who are more focused on careers in management. In 2018 we hired 23 trainees through our INspire program. About 48% of the trainees were women and 40% were international participants. In addition, 40 participants, including 24 women and 17 international candidates, began their CAREer program during the transition period.

In Germany, we recruit most of the young talent we need through our industrial-technical and commercial apprenticeships and the courses of study at the Cooperative State University, which had more than 180 students in 2018.

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Share of women

| | 2018 | 2017 |
|--------------------------------------------------------------------------------------------------|------|------|
| In percent | | |
| Share of women (worldwide) | 19.1 | 18.5 |
| Share of women (Daimler AG) | 16.6 | 16.1 |
| Share of women in Level 4 management positions (Daimler AG) | 19.2 | 18.0 |
| Women in senior management positions Levels 1–3 (worldwide) | 18.8 | 17.6 |
| Share of women at the second management level below that of the Board of Management (Daimler AG) | 14.4 | 11.9 |
| Share of women at the first management level below that of the Board of Management (Daimler AG) | 11.8 | 8.7 |
| Share of women on the Board of Management | 25.0 | 25.0 |
| Share of women on the Supervisory Board | 30.0 | 25.0 |

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Accident figures¹

| | 2018 | 2017 | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-----|
| Incidence of accidents | | | |
| Number of accidents (worldwide) | 3,152 | 2,766 | |
| Incidence of accidents (worldwide, number of work-related accidents that resulted in at least one lost day per 1 million hours of attendance) | Rate | 7.7 | 7.5 |
| Accident downtime (worldwide, number of lost days per 1 million hours of attendance) | 113 | 106 | |
| Number of deaths as a result of work-related accidents | 1 | 1 | |
| Number of employee deaths as a result of work-related accidents | 1 | 0 | |
| Number of deaths of third-party employees as a result of work-related accidents ² | 0 | 1 | |

1 Reporting rate of Daimler production locations (Mercedes-Benz Cars, Daimler Trucks, Daimler Buses, Mercedes-Benz Vans) worldwide: > 99%.

2 Tragically, an employee suffered a fatal work-related accident in Germany in 2018.

We had 8,061 trainees throughout the Group at the end of 2018 (2017: 8,097). Of this number, 4,009 were in a training program at Daimler AG (2017: 4,409). During the year under review, 1,265 (2017: 1,278) young people began an apprenticeship at Daimler AG; 1,191 (2017: 1,197) were hired after completing their apprenticeships. The costs for vocational training for Daimler AG totaled €124 million in 2018 (2017: €114 million).

Programs such as “Skilled Worker in Focus” and the team leader development program ensure that employees are extensively qualified according to uniform standards. The participants are given the opportunity to obtain good career prospects and plan concrete development goals. Our company’s sustained success is closely linked to the high quality of our managers. That’s why we focus especially on the development of talented young managers. We validate the young talents’ leadership potential at our PV44 in-house assessment center and in the team leader development program, both of which use a uniform standard for all of our locations. The Board of Management member responsible for human resources regularly receives reports about the measures and results of our training activities and the development paths of our trainees.

Qualifications

We provide our staff with training and continuing education opportunities for their professional and personal development throughout their careers. At least once a year, employees discuss qualification topics with their managers and agree on appropriate measures. The company agreement on qualification regulates continuing education at Daimler AG. This agreement also stipulates that employees can leave the company for up to five years in order to learn additional skills and guarantees that they can return to the company. In 2018, around 430 employees availed themselves of this opportunity.

Our production locations are responsible for the qualification of managers and specialized employees in manufacturing. The Global Training unit safeguards and increases the skills of our employees at the Mercedes-Benz sales organization. In 2018, more than 800 Mercedes-Benz trainers in over 80 countries instructed approximately 210,000 participants. A total of 1.3 million training courses are held each year.

The Daimler Corporate Academy program helps the Group develop a new management culture and world of work. In 2018, the Corporate Academy enabled a total of 65,800 specialized employees and managers worldwide to continue their personal and professional development. At Daimler AG, we spent €123 million on the training and qualification of our employees in the year under review (2017: €121 million). On average, every employee spent 3.2 days on qualification courses in 2018 (2017: three days).

Health management and safety at the workplace

We want to maintain our employees’ health and physical well-being for the long term. To this end, the Daimler Group has uniform preventive healthcare standards in place worldwide.

As part of Daimler AG’s health management approach, we develop and implement anticipatory solutions that range from the job-related “Daimler GesundheitsCheck” and the ergonomic design of workstations to the IT system that makes it easier to permanently reintegrate employees suffering from limitations imposed by their health.

Our Health & Safety unit is responsible for occupational health and safety, company health-promotion efforts, ergonomics, counseling service and integration management. Health management and occupational safety are also governed by our risk management systems. Our company health promotion is aimed at motivating employees to develop healthy lifestyles and reinforcing 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 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.

Occupational safety is firmly embedded at all levels of Daimler and is addressed by an extensive portfolio of measures for the prevention of work accidents, work-related illnesses and occupational diseases. Our Center of Competence Safety creates the associated Group-wide guidelines. We have standardized key occupational health and safety processes in order to enable the creation and advancement of integrated processes and systems. Every manager at Daimler is responsible for ensuring that all internal guidelines and legal requirements for occupational health and safety are complied with.

Every organizational unit within the Daimler Group has to approve and pursue occupational safety objectives on a regular basis in accordance with our globally valid occupational health and safety guidelines and occupational safety strategy and the results of internal audits and reviews. The content and criteria of our internal occupational safety management system correspond to the standards of ISO 45001 and are regularly updated.

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, enables Daimler to respond quickly to various incidents such as serious accidents and pandemics.

Social Issues

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

Stakeholder involvement

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, 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 successful and productive for both sides. In order to conduct this kind of dialog, we need to identify our stakeholders. We define our 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, is taken into account in such decisions. Our primary stakeholders are our shareholders, creditors, 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 and neighbors in the communities where we operate and representatives of science and government. [➔ E.06](#)

Dialog at the Group level

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

One essential tool of the dialog with our stakeholders is the **Daimler Sustainability Dialogue**, which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with members of our Board of Management and executive management. The participants attend a range of workshops, where they discuss issues related to sustainability and work together to address them. The Daimler representatives responsible for specific themes take up the impulses from the discussions and work together with the stakeholders to incorporate these ideas into their work throughout the year. They then report at the event in the following year on the progress made in the interim. We held our eleventh Daimler Sustainability Dialogue in Stuttgart during the year under review. The evening before the event was devoted to sustainability issues related to electric mobility. In a creative ideation workshop called "Smart Cities," experts from various units worked out sustainable solutions to everyday urban problems. On the main day of the event, about 200 stakeholders split up into eight working groups to discuss themes such as data ethics, the market penetration of electric vehicles and digitalization in the work environment.

As a global company, we have set ourselves the goal of implementing sustainability standards at our business units and specialist departments around the world. To this end, we organize Daimler Sustainability Dialogue events in other countries as well. Such dialog events have been held in China, Japan, the United States and Argentina. During the year under review, more than 200 stakeholders attended the sixth Daimler Sustainability Dialogue in Beijing, where they discussed topics relating to sustainable production, innovation, artificial intelligence and integrity and legal affairs.

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 critical and constructive support for the integrity and corporate responsibility process at Daimler. The board meets at regular intervals and holds discussions with members of the Board of Management and other Daimler executives. Its members have extensive experience and possess a variety of specialized knowledge regarding environmental and social policy, various human rights and ethical issues, and the development of transport, traffic and mobility. During the year under review, the Advisory Board addressed, among other things, the further development of our culture of integrity, electric mobility, mechanisms for dealing with complaints, mobility services and data responsibility.

We also maintain contact with representatives from civic organizations and other companies, and we participate in various associations, committees and sustainability initiatives. The most important initiatives here are the UN Global Compact and Econsense – a German business forum for sustainable development.

We also utilize online and print media, discussions with experts, workshops and local and regional dialog events for our dialog with stakeholders.

In addition to the formally structured dialog, we receive inquiries from stakeholders concerning various sustainability-related topics. These inquiries are addressed directly by specific specialist departments and units in a decentralized manner. This approach brings our stakeholders closer to our business operations and enables specialized knowledge to be directly incorporated into the dialog. Individual inquiries from stakeholders are also reported on in the meetings of our sustainability bodies and committees and are thus taken into consideration in the strategic decisions made by our sustainability management organization. Our sustainability bodies also coordinate dialog with our stakeholders on interdisciplinary issues.

Dialog at the local and regional levels

We also engage in a dialog with the stakeholders at our locations. In connection with specific occasions and projects, we address questions, concerns, criticism and suggestions made by stakeholders and conduct an open-ended dialog with them. We also stage proactive dialog and information events on current topics. The results of all of our dialog measures are incorporated into decision-making and decision-implementation processes at the company. A current example of this approach involves the sustainable further development of the Rastatt plant. The transformation process here focuses on electric mobility and the associated need for additional factory space. Together with officials of the city of Rastatt, we searched for potential locations for a plant extension in the vicinity of the current plant and took into account the suggestions and recommendations made by stakeholder groups, including nature preservation and environmental organizations, property owners, tenants and leaseholders, neighboring communities and municipal agencies. We also continue to keep the public up to date with various dialog and information events, including civic dialogs, meetings with affected individuals and organizations, and plant tours.

Political dialog and representation of interests

As a company with global operations, we have to deal with a wide range of political changes and decisions that impact our business activities. In order to safeguard the future of the Daimler Group, it is therefore important that we represent the interests of our company in an open and trusting dialog with governments, associations, organizations and various groups in society. In line with this philosophy, such a dialog also allows us to hear their concerns and consider their point of view in our actions.

Our principles for political dialog and communicating our interests form the basis of responsible, reliable and open action with the aim of harmonizing the company's interests with the interests of society at large. This also includes the idea of maintaining neutrality when dealing with political parties and representatives of interest groups. The aim of our discussions with political decision-makers is to achieve greater planning security and contribute our ideas to processes of social

change. We focus here on issues such as vehicle safety, emission regulations, new mobility concepts and electric mobility. Other important issues include trade policy, location-specific matters and education and human resources policy.

Our management policy on Lobbying and Political Donations governs, among other things, the use of lobbying instruments and other methods for making our interests known in the political realm. We represent the company's interests through dialog with decision-makers, including elected officials or politicians who have been nominated for office, government officials, and representatives of political interest groups, trade organizations, business associations and government agencies. Participation in specialized government committees and product sales to ministries, government agencies and diplomatic missions are part of our business operations and therefore not considered a component of lobbying.

Our central coordinating body for political dialog at the national and international levels is the External Affairs and Public Policy department, which falls under the responsibility of the Chairman of the Board of Management. This department operates a global network with offices in Berlin, Brussels, Beijing, Singapore, Stuttgart and Washington and also has corporate representations in other key markets. In order to ensure that political lobbying activities are coordinated, and also to avoid political target groups being addressed in an uncoordinated manner, employees in the External Affairs and Public Policy department must be registered.

Also through the Group-wide Lobbyists Register, we want to ensure that our political lobbying is carried out in accordance with applicable regulations and ethical standards. The register also helps us meet the registration requirements of public institutions.

We regard donations to political parties as an element of our social responsibility and as a contribution to the democratic process. We make these donations in strict conformity with applicable law. All donations to political parties require a Board of Management resolution. As in previous years, Daimler AG made donations totaling €320,000 to political parties in 2018. Of this total, the CDU and SPD each received €100,000, and the FDP, CSU and Alliance 90/Green Party €40,000 each.

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Examples of instruments of stakeholder dialog

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

Compliance

Values-based compliance is an indispensable part of day-to-day business at Daimler, and for us, means acting in conformance with laws and regulations. Our objective is to ensure that all Daimler employees worldwide are always able to carry out their work in conformance with applicable laws, regulations, voluntary commitments and our values, as set out in binding form in our Integrity Code. Our compliance activities focus on complying with all applicable anti-corruption regulations, the maintenance and promotion of fair competition, adherence to legal and regulatory stipulations regarding product development, respect for and the protection of human rights, adherence to data protection laws, compliance with sanctions lists and the prevention of money laundering.

Our Compliance Management System

Our Compliance Management System (CMS) consists of basic principles and measures intended to promote rule-based behavior throughout the company. The CMS is based on national and international standards and applies on a global scale at all Daimler AG units and majority holdings. The CMS consists of seven elements that build on one another.

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Our compliance values and goals

Our Compliance Management System (CMS) is designed to help Daimler and its employees avoid inappropriate or illegal behavior, and our culture of integrity serves as the foundation for this approach. 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.

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Our 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 organization is structured 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 Daimler facilities and sales companies implement our compliance program.

Compliance risks

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

Compliance program

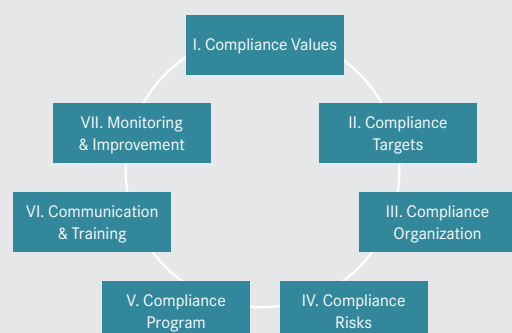
Our compliance program comprises principles and measures designed to reduce compliance risks and prevent violations of regulations and laws. The individual measures, which are based on the knowledge gained through our systematic compliance analyses, focus on the following aspects:

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 and South Africa. Reports can be submitted anonymously if local laws permit this. In Germany, reports to the BPO can also be submitted via a neutral intermediary, who in this case is an independent external attorney. The information provided to the BPO 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. 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. 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

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Daimler Compliance Management System (CMS)



reported violations. We also supply information materials such as country-specific information cards. In addition, we have produced an instructional video in ten languages and we repeatedly stage informational and dialog events at our locations as well.

The BPO process was developed further during the year under review. A risk-based initial assessment and standardized processes enable more rapid identification and effective processing of high-risk reports submitted to the BPO. The case categories used by the BPO have been updated and new categories have been added in order to incorporate the latest social and legal developments into the BPO process. In the year under review, 89 new BPO cases were opened. A total of 101 cases were closed, 60 of them “with merit,” which means the initial suspicion was confirmed. Of these latter cases, five were categorized as “corruption” and seven as “theft, breach of trust and enrichment offenses of a significant magnitude or value.” Seven cases fell under the category “damage exceeding €100,000.” One case was in the category “physical injury.”

With regard to those cases that are closed “with merit,” appropriate response measures are decided in line with the principles of proportionality and fairness. Fairness, which is the key principle in the overall process, applies to both whistleblowers and affected parties. In other words, affected parties are not judged in advance and the assumption of innocence applies until it has been proven that a violation has occurred. Whistleblowers who contact the BPO are also protected. They do not need to worry that their report might result in negative consequences for themselves.

Personnel measures taken in 2018 included the issuing of verbal and written warnings and final warnings, as well as separation agreements and ordinary and extraordinary 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 2018, we completed the implementation 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 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 here. On the basis of these standards and our Integrity Code, a specific Supplier Compliance Awareness Module was developed. This module is distributed to our suppliers. It 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. See also

 daimler.com/sus/obr

Communication and training

Our extensive training courses are based on our Integrity Code. The training program is planned on the basis of an annual planning cycle that includes everything from a needs analysis to the evaluation of the entire training process. Among other things, the program covers the topics of integrity, compliance (including corruption prevention and technical compliance), data protection and antitrust law. Depending on the risk and the target group, we use classroom training or digital learning techniques such as web-based training courses.

Every employee who works at a majority-owned Daimler-controlled company can 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 antitrust law, data protection, technical compliance, non-cash rewards for employees and function-specific topics such as procurement and sales. This program is being continuously expanded in line with the requirements of specific target groups.

Office employees are required to complete modules relevant to their role and function. The associated modules are assigned 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 trainer guideline and explanatory videos that can be used in a target group-specific manner in accordance with the risks associated with the participants’ jobs. In 2018, a total of approximately 220,000 employees from various levels of the hierarchy participated in classroom and web-based training programs.

We also offer our employees in the compliance and legal organizations target group-specific qualification measures. In addition, all new employees at these organizations receive a comprehensive introduction in an onboarding program.

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 can be downloaded and used by all employees with an iOS company-owned device. Among other things, the app enables mobile access to information on corruption prevention and antitrust law, and additional topics will be added in the coming financial year.

Information and qualification measures are also offered to individuals who perform supervisory and management functions. Within the framework of the onboarding program for new members of the Supervisory Board of Daimler AG, such members were provided with information about the antitrust compliance program and technical compliance management during the year under review. In addition, the Group's Chief Compliance Officer reported to the Audit Committee of the Supervisory Board on the status of the compliance management system. In 2018, new members of the supervisory boards of Daimler holdings were provided with information on various issues relating to compliance, data protection and integrity. They also participated in a "Know Your Responsibilities" onboarding program to make them more aware of compliance-related topics (for example anti-corruption policies) and the importance of integrity at their companies. New members of executive bodies at companies in which Daimler is the majority shareholder are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator, which is a target group-focused module that supports them in their new role by providing information on their tasks and responsibilities, contact partners and units that deal with central issues addressed by the Integrity and Legal Affairs division and adjacent units.

In addition to our internal training measures, our training program also includes special courses on integrity and compliance (including corruption prevention) that are offered to our business partners in line with their specific risks. The courses are offered as web-based training or classroom training sessions. Daimler informs its business partners about the courses and invites them to participate.

Monitoring and improvements

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

These activities are used to define any required improvement measures, which are implemented by the responsible units and departments and then monitored on a regular basis. The relevant management bodies continuously receive reports on these monitoring activities.

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 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 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.

Important non-financial reporting topics

Eliminating corruption, preventing cartel arrangements, ensuring compliance with technical regulations, preventing money laundering and the financing of terrorism, and complying with sanctions – we introduced our Compliance Management System (CMS) in order to address exactly these issues, which are extremely important to us. The Data Compliance Management System that we are currently setting up is also based on the Daimler CMS, as is our Group-wide approach to respecting and upholding human rights.

Anti-corruption compliance

Daimler has committed itself to fighting corruption in its own 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 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, for example. Other program components include 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 company's management, which cooperates closely with the specialist units within Integrity and Legal Affairs.

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

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Antitrust compliance

Free and unfettered competition is one of the foundations of our social and economic system. Such competition creates growth and jobs and ensures that all of us as consumers have access to modern products at fair prices. Our Group-wide Antitrust Compliance Program is oriented to national and international standards. The program establishes a binding, globally valid Daimler standard that defines how matters of competition law are to be assessed. The Daimler standard is based on the standards of the European antitrust authorities and 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 set up by our Legal department, as well as guidelines and practical support, we help our employees around the world recognize situations that might be critical from an antitrust perspective, and also act in compliance with regulations in their daily work, especially when dealing with competitors, cooperating with dealers and general agencies around the world, and participating in business association committees.

In addition to Daimler's Legal department and its specialist advisers, the Group's global units and their employees can turn to legal advisers in local units, who also ensure that our standards are consistently upheld. We also utilize a variety of communication measures to make our employees aware of the importance of competition and antitrust laws and issues.

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, implementing and monitoring measures lies with each company's management. Managers in turn cooperate closely with Integrity and Legal Affairs, which also provides information on how to implement the 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 additional monitoring activities at our company's units, as well as random audits on the basis of a predefined audit plan in order to ensure that antitrust laws are complied with and internal processes are carried out properly. 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.

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

Technical compliance

For us, technical compliance means adhering to technical regulations, standards and laws while taking into account the fundamental aims of these laws and regulations. In order to address the specific risks associated with the product development process, we combined the existing systems and additional measures and processes at all divisions of Daimler AG into a technical Compliance Management System (tCMS). The purpose of the tCMS is to ensure legal and regulatory conformity within the product development process and to provide our employees with orientation and guidance through values, structures and processes.

The technical Compliance Management System is managed Group-wide by a unit independent of all divisions that consists of employees with expertise in various fields, such as development, legal affairs, integrity and compliance. The head of this unit – the Vice President Legal Product & Technical Compliance – reports directly to the member of the Daimler AG Board of Management responsible for Integrity and Legal Affairs. Our divisional structure enables us to optimally support and advise our divisions. The unit's tasks include the organization of the technical Compliance Management System and its associated governance elements and providing legal advice to the divisions.

In order to further strengthen the tCMS, dedicated units with experts for technical compliance have been created in the development departments at the Cars, Vans, Trucks and Buses divisions. In addition, there is a network of technical compliance contact partners within the development departments who serve as a link between operating units and the compliance organization. These partners support the development departments in matters of technical compliance. Complex questions regarding technical compliance are evaluated and then decided unanimously in an interdisciplinary process that takes into account technical and legal criteria. Our "Infopoint Integrity" is also available as a contact and advice center for topics related to technical compliance, while our BPO whistleblower system is available for reporting on technical compliance violations.

The Technical Integrity initiative, as part of the tCMS, aims to ensure responsible behavior during the product development process, particularly in situations where legal provisions may be unclear. Together with the relevant development departments, so-called commitment statements have been formulated in order to support the employees in this process. These principles have been discussed with employees at dialog sessions held around the world. Various communications measures regarding the commitment statements have been conveyed to all employees and anchored in selected training courses.

Development employees at all divisions have been sensitized to issues relating to integrity, compliance and legal regulations in the product development process through various communications measures such as "Tone from the Top" mailings and posters, as well as through special training courses and dialog sessions. Dialog sessions have also been held worldwide with more than 750 managers from development and development-related departments at the various divisions in order to ensure that technical compliance and integrity are anchored in the organization. In addition, more than 19,500 employees from the development departments of all divisions worldwide took part in classroom training courses on technical compliance in the year under review.

The effectiveness of our tCMS is monitored annually in a process that also results in the development of measures to improve the system wherever necessary.

Data compliance

As a consequence of the European Union's new General Data Protection Regulation (GDPR), which went into effect on May 25, 2018, we are consolidating 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 (CMS), whose approach helps us meet the company's accountability requirement and the data controller's obligation to demonstrate the basis of the processing of personal data as described in the GDPR.

The establishment of the Data Compliance Management System was accompanied by the creation of a new Data Compliance unit within the compliance organization. This unit defines the program elements and controls their implementation throughout the Group. At the same time, the Chief Officer Corporate Data Protection and his team continue to perform the tasks required by law to ensure compliance with data protection rules. The Chief Officer Corporate Data Protection is independent and reports directly to the Board of Management member for Integrity and Legal Affairs. The Chief Officer Corporate Data Protection informs and advises the data controllers and the specialist departments, serves as a contact partner for complaints regarding data protection, monitors compliance with data protection rules, provides advice on the implementation of data protection impact assessments and cooperates with the regulatory authorities. We are currently realigning the existing network of local data protection coordinators and merging this network into our compliance network.

Our Corporate Data Protection Policy creates Group-wide standards for handling the data of employees, customers and business partners. The internal processes necessitated by the GDPR and the requirements of the Compliance Management System are reflected in a new version of the Corporate Data Protection Policy.

A key component of the Data Compliance Management System is the Data Compliance Risk Assessment, which involves a systematic analysis and evaluation of data protection risks at all business units. These analyses are based on centrally compiled information on all business units; specific additional details are taken into account in line with the given risk assessment. 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 results of the annual Data Compliance Risk Assessment serve as the basis for the formulation of measures that address possible data protection risks. The elements of our data compliance program include the provisions of the General Data Protection Regulation (relating, for example, to information obligations, the rights of data subjects and concepts for data erasure), the stipulations of local data protection laws, communication and training measures and various data protection consulting services. The responsibility for designing and implementing measures lies with each company's management. Managers in turn cooperate closely with Integrity and Legal Affairs, which also provides support with implementation.

A monitoring plan is used to assess the effectiveness and efficiency of the implementation of the various measures at the business units. These reviews are used to define improvement measures, which are implemented by the responsible units and departments and then monitored on a regular basis.

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. With our core business and our global production and sale of vehicles, we and companies controlled by the Group are subject to the provisions of the German Money Laundering Act (GwG), which applies to "commercial sellers 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).

An integrated Group-wide compliance approach has been implemented in the Anti-Financial Crime (AFC) department in order to link prevention of the circumvention of supranational and national sanctions with measures to prevent and combat money laundering, organized crime and other criminal economic activity and the financing of terrorism. 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 companies and our shareholders and stakeholders.

The organizational structure of the AFC specialist unit serves as the central Group organization for promoting compliance with the GwG across all divisions. This structure also brings together under one roof our two Centers of Competence for Preventing and Combating Money Laundering and the Financing of Terrorism (CoC AML) and the Center of Competence for Checks against Sanctions Lists (CoC CSL). The objective of the sanctions compliance process is to ensure the performance of systematic reviews to determine whether the names of affected natural or juridical persons or organizations can be found on any sanctions list around the globe (checks against sanctions lists – CSL). The review thus involves checking supranational sanctions lists such as those published by the United Nations (UN) and the European Union (EU), as well as national sanctions lists, in particular those published by the United States, that may be applicable in certain situations.

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. The provisions of data protection law are taken into account when such checks against sanctions lists are performed. Our integrated compliance approach aims to ensure that we can effectively prevent and combat money laundering and the financing of terrorism.

Human rights compliance

For Daimler, respect for human rights is a fundamental component of responsible corporate governance. Respect for human rights is therefore a key component of our Group-wide sustainability strategy. We are committed to ensuring that human rights are respected and upheld throughout our organization and by our suppliers.

The following standards and guidelines in particular serve as a frame of reference for our conduct and are of central importance for our due diligence obligations as defined by the HRRS:

- the UN Global Compact,
- the UN Guiding Principles on Business and Human Rights,
- the Universal Declaration of Human Rights,
- Germany's National Action Plan on Business and Human Rights, and
- the Core Labor Standards of the International Labour Organization.

Our expectations, which are based on these standards and guidelines, are clearly defined and described in our Integrity Code and the Daimler Supplier Sustainability Standards. The latter 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 worldwide commit themselves to observing our sustainability standards, communicating them to their employees and to upstream value chains, and checking to ensure that the standards are complied with. As a risk-based measure, we ourselves perform checks in critical supply chains in order to verify compliance with our standards by further members of the supply chain. These audits begin with the tier one supplier and extend to the critical points in the supply chain, and even down to the mines if necessary.

We are gradually expanding our Human Rights Respect System (HRRS) in a process that also includes regular consultations with external stakeholders. The HRRS, which orientates itself on our Group-wide Compliance Management System (CMS), utilizes a risk-based approach in its focus on Daimler majority holdings (including our production locations) and our supply chain.

Due diligence with the Human Rights Respect System

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 and is aimed at exerting its effect along our supply chain as well. It consists of four steps that are to be applied to Daimler majority-owned companies and the supply chain:

1. identification of potential human rights risks (risk assessment),
2. definition, implementation and management of preventive measures and countermeasures (program implementation),
3. monitoring of the effectiveness of the measures, in particular at higher-risk units and in supply chains that are at a high risk of human rights violations (monitoring), and
4. periodic internal reporting on relevant issues, compliance with external reporting requirements (reporting).

The HRRS also involves consultation and exchange with rights holders (for example our employees and their representatives) and external third parties such as civil society organizations and local populations.

Identification of human rights risks at Daimler majority holdings


The risk assessment is a two-step process. The first step involves a categorization of the majority holdings on the basis of predefined criteria, such as the risk situation in specific countries and risks associated with specific business operations. In the second step, units that display a heightened human rights risk are subject to an on-site assessment. The modular approach we employ here takes into account fundamental human rights standards such as those defined in the Universal Declaration of Human Rights and the Core Labour Standards of the International Labour Organization (ILO).

During the reporting year, we made adjustments to our risk assessment methods and also had external stakeholders verify our risk assessment process. The feedback we receive from stakeholders is used to further develop and improve the risk assessment system. We are also currently developing an effective approach to program implementation, monitoring and reporting.

Identification of human rights risks in our supply chain

Since 2008 we have defined our expectations towards our suppliers regarding sustainability in our Supplier Sustainability Standards. Upholding human rights and in particular stipulations concerning working conditions are key components of these requirements. In order to meet our human rights due diligence obligations even more systematically, we have developed risk classifications tailored to various product areas (such as production materials and services). This enables us to identify services and raw materials that may pose risks to human rights, including minerals that are potentially associated with conflicts. During the year under review, we started using our analyses here as a basis for defining and implementing measures that can also be applied beyond the level of our direct suppliers if necessary.

Further Group-wide measures

Within our sales organization, we conduct individual audits of potentially critical transactions in cooperation with the units that are involved. During our ongoing training sessions, we also inform our employees and make them aware of their obligation to respect and safeguard human rights as described in our Integrity Code. Employees and external parties can use various channels, such as the BPO (Business Practices Office) whistleblower system and the World Employment Committee, 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. [daimler.com/company/corporate-governance/compliance/principles.html](https://www.daimler.com/company/corporate-governance/compliance/principles.html)
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Involvement at the executive level

The responsibility for human rights issues lies with the Integrity and Legal Affairs Board of Management function. The member of the Board of Management responsible for Integrity and Legal Affairs is regularly informed about human rights activities. This is supplemented by regular reports submitted to the Board of Management and the Corporate Sustainability Board (CSB), as well as to the Procurement Council (PC) within the framework of our sustainability strategy.

Independent Auditor's Report Concerning a Limited Assurance Engagement on the Non-Financial Group Reporting¹

To the Supervisory Board of Daimler AG,
Stuttgart

We have performed an independent limited assurance engagement on the separate combined non-financial Report of Daimler AG, Stuttgart and the Group (further "Daimler") as well as the by reference qualified parts "Business model", "The workforce", "Legal risks" and "Non-Financial risks" (further "Report") according to §§ 315b and 315c in conjunction with 289b to 289e German Commercial Code (HGB) for the business year from January 1 to December 31, 2018.

Management's Responsibility

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

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual 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 national statutory provisions and professional pronouncements for quality assurance, in particular the professional code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within 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 plan and perform the assurance

engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Report for the period from January 1 to December 31, 2018, has not been prepared, in all material respects in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

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

- Inquiries of personnel on group level who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries for Daimler
- A risk analysis, including a media search, of relevant information about the sustainability performance of Daimler in the reporting period
- Evaluation of the design and implementation of systems and processes for the collection, processing and monitoring of information on environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including data consolidation
- Inquiries of personnel on group level who are responsible for the collection of the information to concepts, due diligence processes, results and risks, the conduction of internal controls and the information consolidation
- Evaluation of selected internal and external documents
- Analytical evaluation of data and trends of quantitative information which are reported by all sites on group level
- Evaluation of local data collection and reporting processes and reliability of reported data via a sampling survey in Kawasaki (Japan), Sindelfingen and Düsseldorf (both Germany).
- Assessment of the overall presentation of the information

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of Daimler for the business year from January 1 to December 31, 2018 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Restriction of use/AAB clause

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

Our assignment for the Supervisory Board of Daimler AG, Stuttgart, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf. By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 Mio as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Stuttgart, February 13, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Dr. Thümler
Wirtschaftsprüfer
(German Public Auditor)

Mokler
Wirtschaftsprüfer
(German Public Auditor)

¹ Our engagement applied to the German version of the Report 2018. This text is a translation of the Independent Assurance Report issued in the German language, whereas the German text is authoritative.